ANNUAL REPORT GEO. A. HORMEL & COMPANY/AUSTIN, MN 55912/FISCAL YEAR ENDED OCT. 29, 1983

Hormel

INNOVATION

flows from one part of our organization to another

NEW and better products!

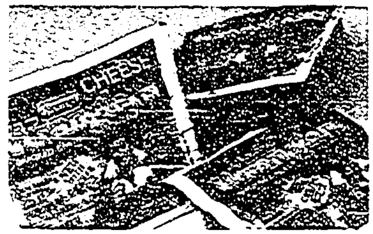
. . .such as *Homeland*® hard salami meet identified consumer needs and desires. Since demands in the marketplace constantly change and grow, each year Hormel introduces new and improved products which reflect changing consumer tastes and lifestyles while consistently delivering high quality and good value.

NEW processes and equipment!

. . .in Company manufacturing operations increase production capacity and efficiency and lead to improvements in product uniformity and quality. *Fast 'n Easy*™ precooked bacon now benefits from newly-installed microwave equipment ir Austin, Minn., and from the start-up of a production line in Atlanta, Ga., both of which will provide the added capacity necessary to meet the rising food service needs for this premier growth product.

NEW flavors!

. . .like *Wranglers*® smoked franks with cheese are fitting examples of new products developed specifically to meet today's taste preference. This particular specialty product combines two very popular flavors — tangy, golden cheese and the richly-seasoned campfire taste associated with *Wranglers*® smoked franks. Introduced during fiscal 1983, this item has given new life to the entire *Wranglers*® line.

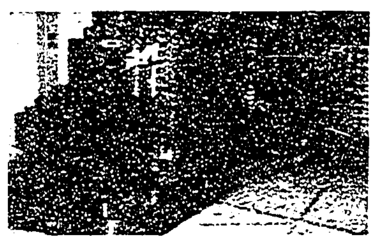


NEW packaging!

. . .has added excitement to the introduction of the *Great Beginnings*™ chunky meat and gravy product line. Although produced in metal cans, *Great Beginnings*™ are packed into unique four-sided cartons which provide for more on-package graphics and allow additional space for possible in-package offers and coupons. Innovative packaging of this type enables Hormel to "build" convenience into its products and to provide improved foods in the "old tradition."

NEW and improved methods of doing business!

. . .are emphasized throughout the Company's operations. Perhaps the most interesting and curious of all newly-introduced technologies is the use of "robots" for transporting supplies. In the year ahead, robots will also be used for loading of primal pork cuts into mechanical deboning machines and in the packing of bulk luncheon meats and canned hams into retort crates for cooking.



NEW ingenuity and efforts by employees!

. . .are best illustrated by the interest and enthusiasm for the Company's **IDEA** (Idea Development Employee Awards) program. Since its inception just over two years ago, more than 1,700 new product suggestions have been submitted by creative-thinking participants. Two examples of nationally-distributed products now in the marketplace because of employee imagination and suggestion are *Hormel* spaghetti and Italian sausage and *Wranglers*® smoked franks with cheese.

The President's Letter

To Our Stockholders:

The fiscal year just completed was a clear demonstration of the many inherent strengths of Geo. A. Hormel & Company. Operating in an industry currently undergoing dramatic unsettling changes and general difficulty, our Company was faced with a challenging and, at times, a frustrating year but, in the end, it was a year judged successful by most all measurements. I am proud of the entire organization, to the dedication, spirit and creativity of our people and, most particularly, to the positive manner in which all responded to the many opportunities that developed during the year.

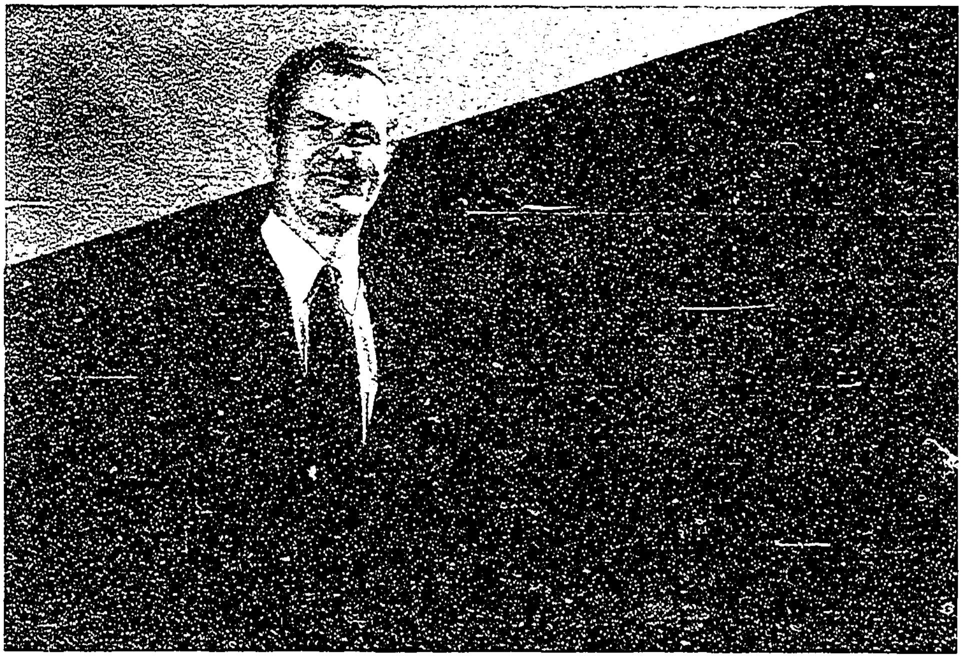
Although our net income was not record breaking, it was highly-satisfactory when compared to others in the industry. Success with a well-designed cost control program, supported by aggressive marketing efforts, resulted in a 12.6 percent increase in earnings before taxes. While dollar sales were nearly level with a year ago, total volume was up. In that context, continued progress is being experienced with our longer-term objective of converting remaining commodity-type products to consumer-branded, value-added lines.

Aided by moderating pork and beef prices during the last six months, the Grocery Products Division was able to register a significantly strong performance. The Meat Products Group also recorded excellent results during the latter part of the year. Unfortunately, the Company's Pork Division continues to experience unsatisfactory operating margins.

Noteworthy is the fact that the new Austin (Minn.) plant completed its first full year of operation. Nearly all of our originally-established objectives have been reached. A second shift for hog processing and a double-shift for other major plant departments have now been in effect for almost one year. These developments contributed to the hiring of more than 600 additional people, raising total employment in the new Austin plant to more than 1,700.

At this writing, most of the major companies in the industry have successfully negotiated new lower wage and benefit contracts. To be sure, our Company enjoys operating efficiencies and economies in many areas of our plant facilities. However, the labor-cost disparity, as it now exists, is far too large and must be addressed. Discussions with our employees have been underway for some time. This will hopefully lead to a creative plan which will allow us to satisfactorily answer our employees' needs.

Recognizing the necessity of controlling costs while also building improvement in production and efficiency, the Company implemented a program last August designed to produce a 10 percent reduction



R L Knowlton

in operating expenses. Our people approached the task seriously and carefully examined all aspects of Company operation. I'm pleased to report that the results have been material and gratifying.

In September, an announcement was made of major changes in the Company's organizational structure that will allow us to focus our resources more effectively. The production/manufacturing responsibilities which had previously been a part of both the Meat Products and Prepared Foods Groups were transferred to the Operations Group. This followed the reassignment one year earlier whereby responsibility for the Company's major plants (Austin, Minn., Fremont, Neb., and Ottumwa, Iowa) had also been made part of the Operations Group. This reorganization will provide greater clarity of effort and professional execution of all Company-wide manufacturing activities. Also an important part of the restructuring was the introduction of a regional management concept for the Meat Products Group. The major benefit to be realized here is a more productive and efficient handling of the total marketing and sales function.

Our production/manufacturing and sales/marketing people have responded enthusiastically to the new organizational structure. Highly-successful marketing campaigns generated by both the Meat Products and Prepared Foods Groups have built a momentum that will carry us forward into the year. Our expectation is for strong results for fiscal 1984 — absent any serious shortage of hogs.

In April, I. J. Holton, chairman of the Executive Committee, retired after having contributed so superbly to the destiny of the corporation for 36 years. At the same time, Lee D. Housewright, Jr., executive vice president, Meat Products Group, also retired after completing 36 years of excellent service. As planned, James A. Silbaugh, then senior vice president of the Meat Products Group, was advanced to group vice president. He brings a record of success from the grocery segment of our business.

Also during the fiscal year, John R. Furman, vice president, ended 35 years of service with his retirement after having shaped the success of the Company's Dry Sausage Division. Marvin F. Moes was elected to succeed him as vice president

Thomas J. Leake and William O. McCormack, both members of the Company's Law Department, were elected assistant secretaries of the corporation

Earlier in the year, the Board of Directors approved an increase in the quarterly dividend rate, representing the 15th consecutive year of higher dividends to stockholders. This action illustrates the Company's financial strength and management's confidence for the future.

Several phases of major Company research aimed at revolutionizing pork processing operations were put into effect during the year. It is our objective to receive animals from a producer's farm in the morning and to process them into finished consumer products the same day. We are encouraged with our progress. Emphasis will continue to be placed on the complete implementation of this far-reaching project which will produce improved efficiencies and savings in energy, shrinkage and labor.

Our entrance into the fast-developing aquaculture market was made with the acquisition of Farm Fresh Catfish Company, Inc., and subsidiaries. Total industry sales of farm-raised catfish has doubled in volume every two years since 1974; Farm Fresh enjoys a dominant share of the market. It is our intention to further process and develop value-added, consumer-packaged catfish products for the retail grocer.

Greater attention will also be directed to total marketing activities. Expenditures for advertising will increase in support of the many new products scheduled for market introduction. The Company is pursuing a very aggressive expansion of existing product lines.

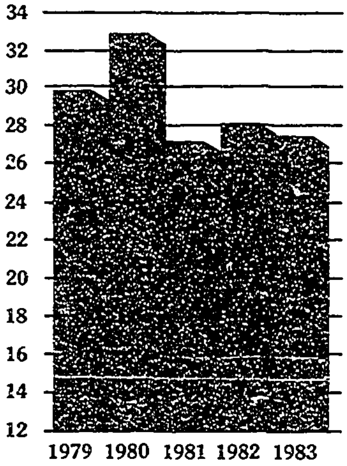
The support, loyalty and cooperation of our stockholders, employees, livestock producers and customers are well-recognized and integral to our future success. We have the momentum. We are organized and results-oriented. Our employees, at all levels of the organization, are enthusiastic about our prospects

R. L. KNOWLTON
President
Chief Executive Officer

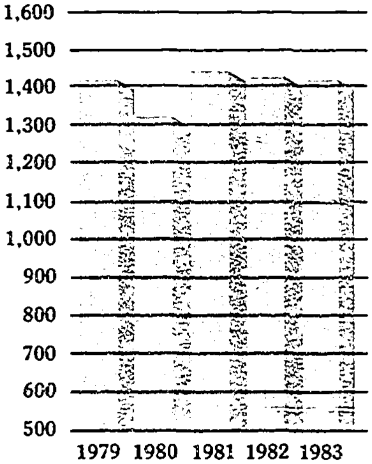
INNOVATION

The Year in Review

NET EARNINGS
(Millions of Dollars)



NET SALES
(Millions of Dollars)



Right photo In-store product displays added excitement and created a community awareness of the Grocery Products Division national sales meeting held in Austin, Minn More than 250 sales representatives and district and regional managers gathered for only the third such national meeting of its kind and the first since 1965

Geo. A. Hormel & Company's ability to operate under varying market, economic and industry conditions was tested in rather dramatic fashion during fiscal 1983. In the end, decreases of less than one percent were reported for both sales dollars and net income. Counteracting these modest declines, however, was a noteworthy increase in volume and highly-satisfactory results derived from a Company-implemented cost-cutting efficiency program.

Historically, the Company has operated in a very competitive environment. This was most apparent in the year just concluded as upheaval and sweeping changes spread throughout much of the industry. The problem of remaining cost-competitive is receiving full attention. At the same time, the Company is continuing its long-standing philosophy of identifying those markets it serves particularly well and then developing the necessary products, resources and capabilities to do so.

Sales Dollars Decline

Total sales dollars equaled $1,417,705,000, representing a slight decline of 0.6 percent from the $1,426,596,000 reported during the previous fiscal year. The sales dollars slipped marginally, despite a noticeable increase in tonnage, because the prices paid for Company products were generally lower, particularly in the second half of the year.

Fiscal 1984 is expected to reflect a continuation of the steadily-improving national economy. Although live hog prices, now hovering at the $40 per hundredweight range, do not encourage producers to raise more hogs, current surveys indicate that a substantial drop in production is not expected.

Net Earnings

Earnings for the year were $27,897,000, compared to $28,051,000 in fiscal 1982. Earnings per share were $2.90, a drop of two cents per share, or 0.7 percent, from 1982 earnings of $2.92. Contrary to last year, when $10,953,000 of interest expense was capitalized, $14,039,000 was charged against current year's before-tax earnings.

Depreciation was $8,823,000 higher this year, amounting to $26,410,000 in 1983 and $17,587,000 during the previous 12-month period.

Capital Expenditures

Total 1983 capital expenditures were $20,272,000, a sharp reduction from the $66,344,000 spent the previous year. Geo. A. Hormel & Company's physical facilities and equipment now rank among the most modern in the entire meat packing industry. The substantial resources committed in years past have provided the capacity necessary to support future planned sales growth. Consequently, expenditures for the intermediate term will be directed largely to the replacement of outmoded equipment and the purchase of new high-technology machinery.

Over the years, the Company has explored opportunities to diversify into other business ventures. The development of new business areas internally have and will continue to constitute the primary objective of developing a program of well-planned and managed growth.

The most important part of the Company's strategic thrust has been to remain within areas that are related and where, over time, sound management expertise has been developed. An example of this strategy was the acquisition in early 1983 of Farm Fresh Catfish Company, Inc., and subsidiaries of Greensboro, Ala Farm Fresh is a well-managed, quality company with a good record over the years. It enjoys a major share of market for catfish produced through aquaculture, or fish farming. It breeds, grows and processes grain-fed, farm-raised catfish and markets them through retail grocery stores and food service outlets.

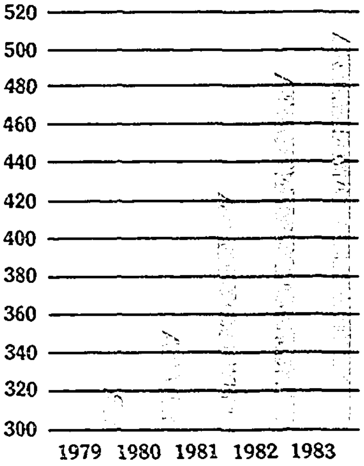
Farm Fresh has sales and administrative offices and processing and storage facilities in both Greensboro and Hollandale, Miss. Complementing these facilities will be the opening early this year of a 20,000 square foot processing plant now under construction in Lake Village, Ark. The Company also has nine fish production farms located in the states of Alabama, Mississippi and Arkansas, but receives the majority of its fish supply from independent catfish producers.

This Company acquisition is tied to the success of aquaculture, a venture barely 20 years old that has enjoyed phenomenal growth. By far the most popular farm fish is the channel catfish. Production jumped 67 percent from 1981 (60 million pounds) to 1982 (100 million pounds). This growing

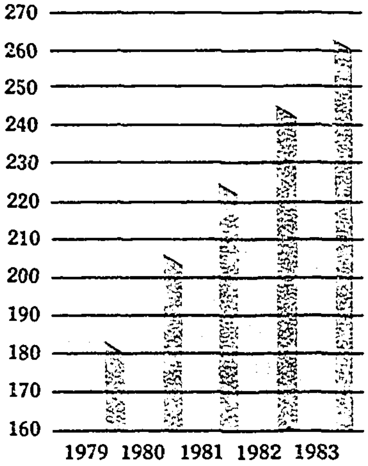

We Salute 92 Years
OUR PROUD LEGACY
Hormel
Welcome To Austin
Hormel Grocery Products
Sales Representatives
IGA Special

INNOVATION

TOTAL ASSETS
(Millions of Dollars)



STOCKHOLDERS' INVESTMENT
(Millions of Dollars)



Right photo An overall view of Farm Fresh Catfish Company office and plant facilities in Hollandale, Miss The Company's entrance into the growing aquaculture market was made with the acquisition of Farm Fresh Catfish Company, Inc. and subsidiaries in early 1983

popularity has been aided by a consumer trend toward lighter foods.

Farm Fresh continues to operate with its same management as a wholly-owned subsidiary of Geo. A. Hormel & Company. Its board has been restructured to include members of the parent company. Hormel expects to offer its new subsidiary the benefit of improved access to new product research and development, with specific focus on high-quality, value-added products, plus important facilities engineering and financial planning assistance and utilization of the Company's sales and distribution system.

It is the Company's objective to expand further its position within the total fish and seafood category In so doing, Hormel will search for venture opportunities which are based on a sound business strategy and which fit the corporation's standards of quality products and services.

Dividends

Geo. A. Hormel & Company has paid 220 consecutive quarterly dividends since 1928 — 55 years. Total dividends paid and accrued in 1983 amounted to $9,606,000, compared to $9,222,000 the prior year, for an increase of $384,000.

Cash dividends per share were increased in fiscal 1983 for the 15th consecutive year. Dividends declared totaled $1 per share, an increase of 4.2 percent over the $.96 per share declared in 1982. These regular dividend increases are a measure of the Company's confidence in the prospects for the future.

Pension Trusts

The Company's provision for current and past services for the Employee Pension Trusts was $16,850,000 for the year. Past service costs are amortized over a period of 30 years from the date of inception or date of amendment of the plans.

Stockholders' Investment

At October 29, 1983, stockholders' investment amounted to $263,861,000, an increase of $18,291,000, or 7.4 percent, over the 1982 year-end total. Stockholders' investment per share rose $1.91 to $27.47 at the end of 1983 from $25.56 a year earlier. Geo. A. Hormel & Company has 9,606,516 shares of common stock outstanding.

Total assets exceeded one-half billion dollars for the first time in Company history, attaining a record $512,559,000. Working capital rose for the second consecutive year. The total at year-end was $95,403,000, compared to $69,527,000 at the end of the previous year. This increase of $26 million amounted to 37 percent.

Corporate Debt

There was no long-term debt issued in 1983. The Company continues to sell prime commercial paper as required for working capital.

Some members of the financial community believe the low point in interest rates was reached in May, 1983. Unless the huge government deficit is given more positive attention, any substantial reduction in interest rates remains unlikely. Many monetarists make a case for higher inflation in the years ahead because of the relatively accommodative stance of the Federal Reserve Bank.

Hormel Employees

The reduction of wages and benefits of production employees in the industry went unabated in 1983. It extended to many of the larger companies, leaving Hormel as virtually the only major firm at the old industry pattern.

Several meetings have been held with local unions affiliated with the United Food & Commercial Workers (UFCW) union. In these meetings, the Company has stressed the necessity for a reduction in wages and benefits that would enable the corporation to maintain a reasonably competitive position within the industry. In accordance with specific language included in the Austin (Minn.) plant agreement, which provides for an adjustment of wages and benefits to meet national pattern changes, notice has been given to Local P-9 of the UFCW of the Company's intent to implement that provision. The issue has been contested by Local P-9 and has been submitted for binding arbitration.

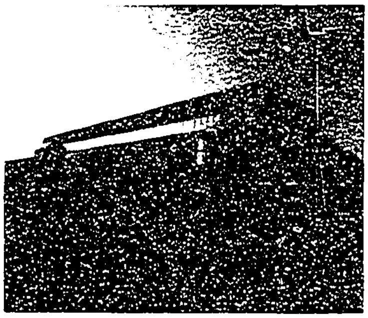
The Company is confident that its position will be upheld. It also expects that agreements with other local unions, in lowering of their respective wage and benefit structure, would follow.

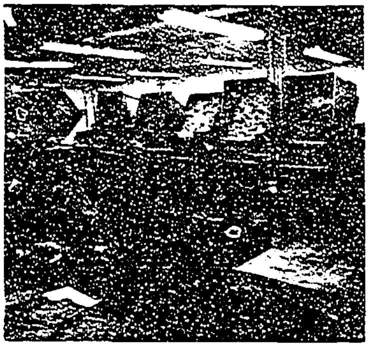
The total dedication of all employees is reflected in the fine results of the year which were achieved under very difficult conditions. The skills and loyalty of these employees distinguish Geo. A. Hormel & Company from others in the industry.

The Company reaffirms its policy as an equal opportunity employer. It will continue its practice of hiring and its relation with all employees on the basis of qualifications, without regard for race, color, religion, sex, national origin, age or handicaps.


FARM FRESH
GRAIN FED
CATFISH

Operations Group





Top photo Close-up extenor view of the 1,089,000 square foot Austin (Minn) plant, now in its second full year of operation, Center and bottom photos Highly-skilled and talented employees benefit from the scientific planning and sophisticated, electronically-controlled machinery and equipment used in today's modern meat processing plants, Right photo Perhaps the newest and most innovative use for pigskin can be found in the automobile industry where one manufacturer has introduced a model line which offers sueded pigskin upholstery leather as an option

The introduction of state-of-the-art equipment and machinery and revolutionary new processing techniques, combined with the implementation of a more effective organizational structure, were major events in fiscal 1983 which characterized the commitment to innovation by the Operations Group. The end result was a smooth-working, impressively-efficient network of manufacturing operations better equipped to adjust to emerging trends in the industry and economy and to new demands from consumer groups.

Possibly the most far-reaching event to occur during the year, an organizational realignment completed in the final quarter, succeeded in concentrating into one area the expertise and resources of all corporate production management people. The reorganization shifted responsibility for Company-wide manufacturing facilities, with the exception of dry sausage plants, to the Operations Group. With both grocery products and meat products production staffs now functioning together, the resulting clarity of effort can only lead to improved growth and stability for the corporation. Among the many benefits to be realized are a stronger control over raw materials procurement and costs, greater attention to product yields and related production economies and a sharing of new technology where the potential for dual use of equipment and processes is feasible.

Pigskin Reaches New Markets

A breakthrough was achieved during the year with the marketing of pigskins into foreign markets, supplementing the domestic tanners already served. Hormel-designed and patented hog skinning equipment, installed at the Austin, Minn., Fremont, Neb., and Ottumwa, Iowa, plants, enables the Company to produce pigskins suitable for tanning.

The increased worldwide demand for pigskins can be attributed, in part, to the discovery of more uses for the tanned hides. Companies in both the United States and Western Europe are now using pigskins for garments and accessory items and home and office furnishings. One major U.S. automobile manufacturer has introduced a new model line which offers sueded pigskin upholstery leather as an option. Meanwhile, pigskins sold to the clothing and furniture industries are processed and fashioned into jackets and vests, shoes, handbags, billfolds and gloves and many other items.

Not only does this heightened interest in pigskin leather provide greater international marketing opportunities, but the value of the hog carcass is also upgraded, thereby improving the return to the producer. The Company, during the manufacturing process, gains other important energy-saving and sanitation advantages.

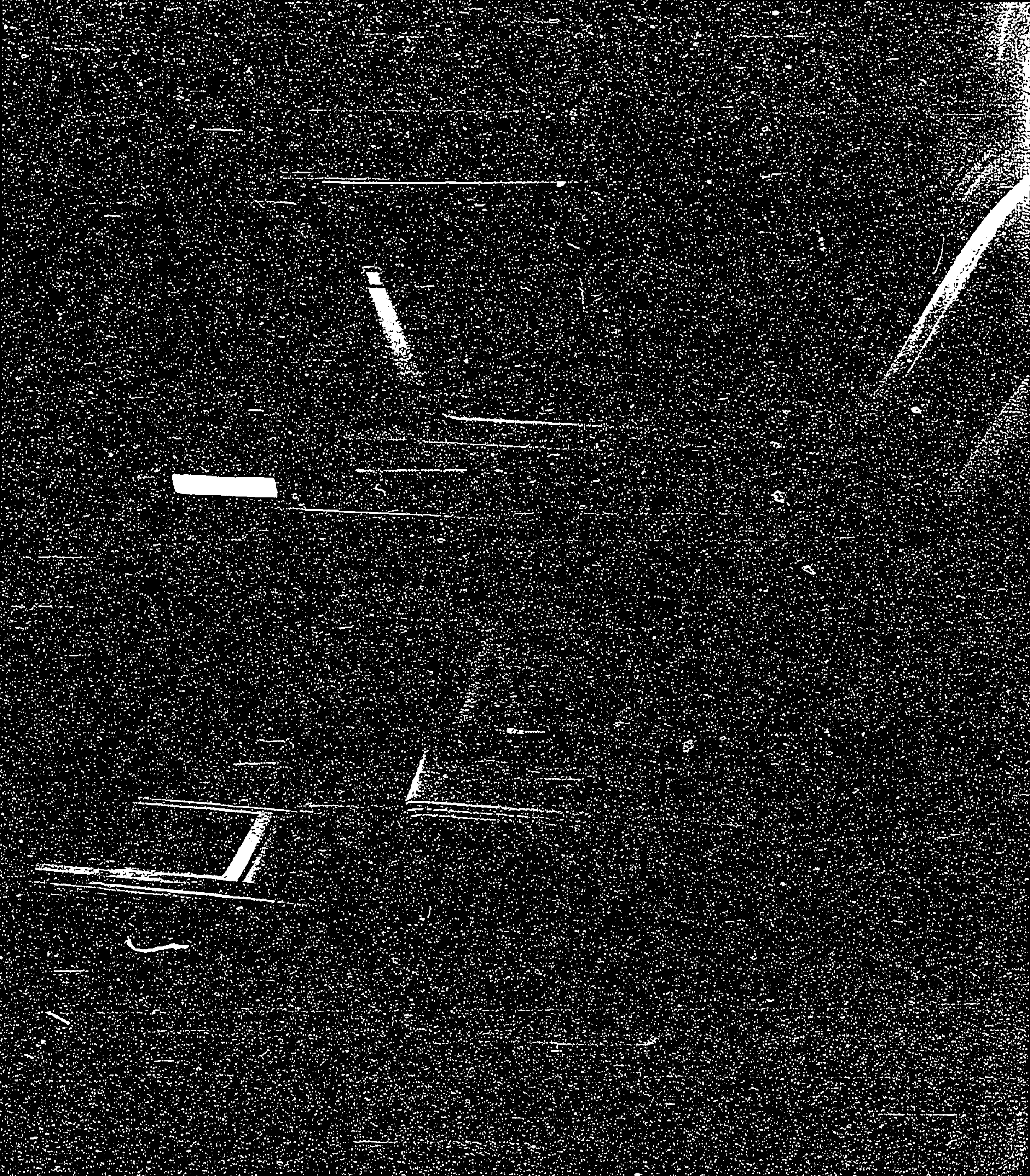
Second Shift Added

In a move new to Hormel, a second hog processing shift was instituted last February at the Austin plant. This added shift doubled the former 750 hogs per hour capacity, enabling the Company to utilize its manufacturing/production facilities at near optimum levels. Although the potential for a second eight-hour work crew was originally visualized for the 1,089,000 square foot plant, it was the advent of new technology; specifically, the ability to cool hog carcasses more rapidly, that actually paved the way to second-shift capability.

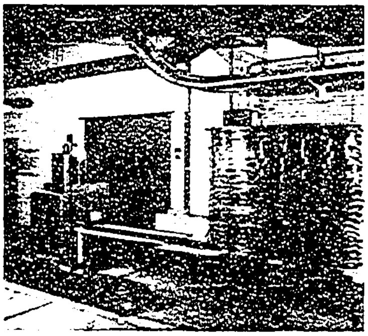
This move precipitated both improvements and expansion of existing facilities. Among other things, the greater capacity necessitated the installation of additional loin coolers and conveyors for processing and transporting of product. Modifications were required in livestock handling and in the refineries area where substantially larger supplies of raw materials now became available. More rewarding was the fact that this new shift was largely responsible for the employment of an additional 600 production people.

The technological advancement that facilitated the move to a second hog processing shift was the installation into major Company plant facilities of innovative rapid-chill equipment. First conceived by Danish researchers and subsequently modified and improved by Hormel staff engineers, this revolutionary process has enabled Hormel to quickly accomplish the carcass chilling necessary before "disassembly" and to begin important same-day manufacturing operations. Hormel stands alone among U.S. meat processors with the ability to benefit from this unique capability. It affords the Company with day-to-day economies in operation previously thought impossible.

In Ottumwa, installation of a separate processing line has provided the Company



INNOVATION



Top photo The vacuum-packaging process shown here protects the quality of Hormel pepperoni and preserves full flavor and freshness attributes for the consumer. Bottom photo This "forklift" robot shuttles from department-to-department and floor-to-floor transporting unformed corrugated boxes to proper manufacturing locations within the Austin (Minn.) plant. Right photo Another view of modern-day technology at its best This automatic deboning machine provides important production economies and efficiencies

with additional operating benefits. In just one hour following initial processing, pork raw materials are moved into the fresh sausage area for immediate production of two popular retail-packaged breakfast items — Midget Links pork sausage and *Hormel* country brand links pork sausage. This rapid-processing technique produces a high-quality product that retains an optimum pH level which, for the consumer, means exceptional color, greater palatability, excellent flavor and an extended shelf life. This innovative process, also new to the Company, helps the corporation to function more competitively in the already fiercely-competitive breakfast sausage market.

Precooked Bacon Growth

The increasing popularity of precooked bacon for the food service industry triggered the installation of a second microwave line in the new Austin plant facility. Accelerated sales of *Fast 'n Easy*™ precooked bacon is attributed largely to two factors: a sky-rocketing appeal for bacon hamburgers by customers of fast food chain restaurants and the growing acceptance of bacon pieces as a condiment in salad bars Demand by food service operators for precooked bacon has also intensified with the accompanying proliferation of salad bars which are now featured in an estimated 40 percent of all restaurants.

Early in the Company's 1984 first quarter, a *Fast 'n Easy*™ precooked bacon line was also installed at the Atlanta (Ga.) grocery products/meat products plant. This added production capacity provides Hormel with the potential to improve upon its No.-1 leadership position in what has developed as a significant fast-growing product category.

Other In-Plant Developments

In the ongoing quest for improved operating efficiencies, the Company has earned a reputation for its use of robotics in meat processing operations. Currently "forklift" robots at the Austin plant shuttle unformed corrugated boxes to various department locations. The robots "drive" the hallways on their own, "seeing" obstacles and corners with electric eyes.

In the calendar year ahead, robots will be utilized in more innovative, complex ways, including the loading of primal pork cuts into mechanical deboning machines and the packing of bulk luncheon meats and canned hams into retort crates for cooking. The use of robotics will be expanded at year-end with the introduction of more sophisticated models capable of visual identification

In late fall, a new *Layout Pack*® wide shingled bacon line was installed in Fremont, complementing existing sliced bacon and packaging facilities. Extensive modernization and upgrading of existing sewage treatment facilities at Ottumwa were also completed during the year This is the only such operation owned by the Company.

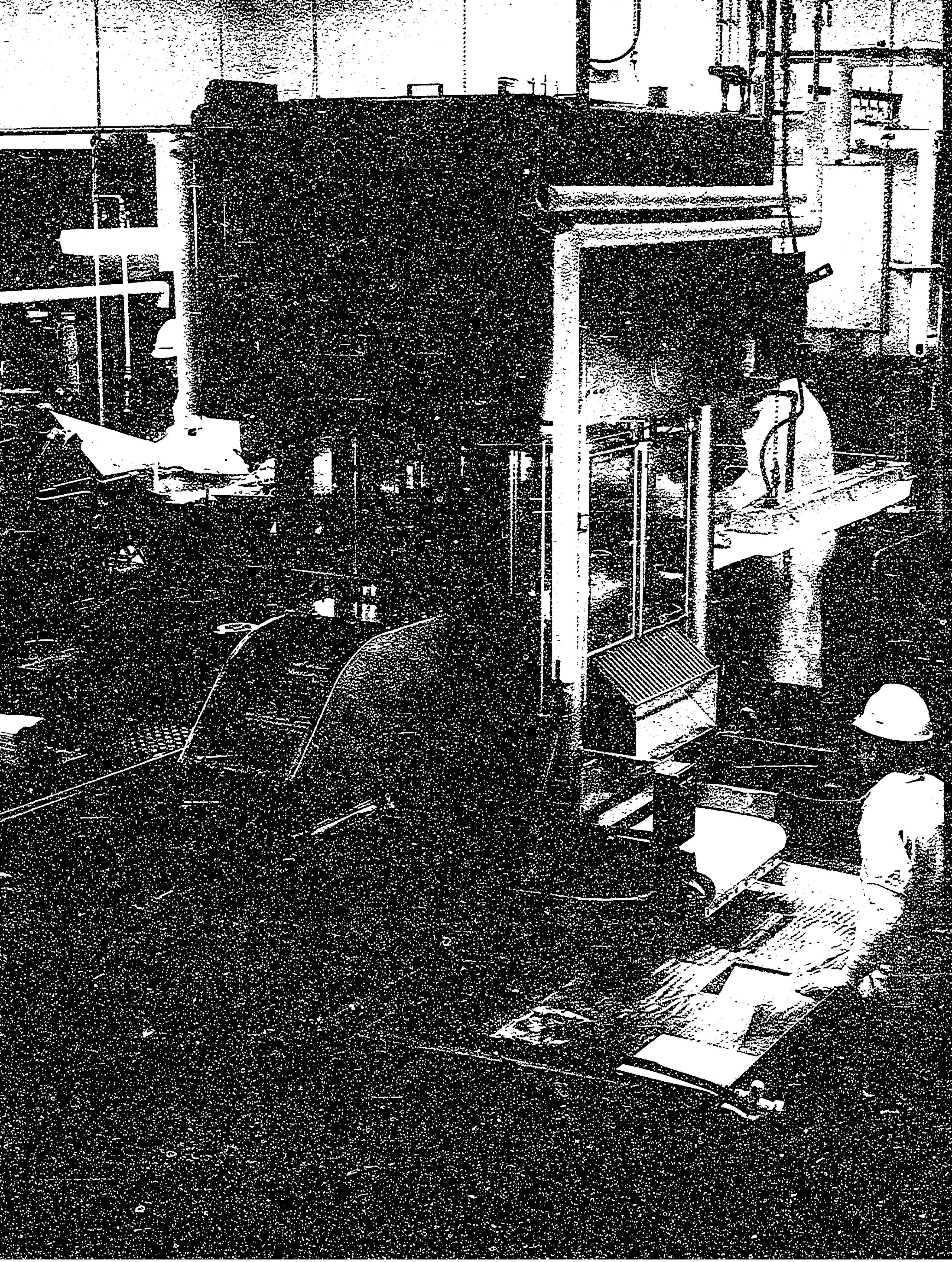
Final engineering plans are nearly ready for the proposed large-scale modernization of the Fremont plant Renovation of this major Company facility, scheduled to begin this summer, will include a rebuilding of the physical structure, extensive relocation of departments and improvements in product flow arrangement and installation of new equipment and processes. When completed, this all-encompassing capital project will not only expand and increase the sophistication of the Fremont facility, but it will also provide a more completely-efficient, cost-effective operation.

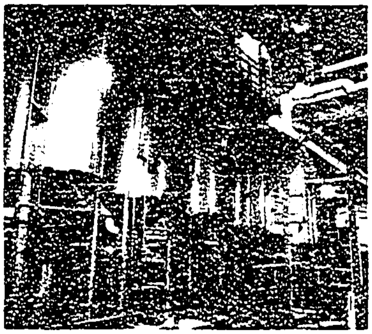
The last phase of the major renovation to the Stockton (Calif.) grocery products canning plant was completed late in the year with the installation of high-speed retort cookers, a defrost tunnel and blending system for raw materials. During a three-year period, this facility, acquired in 1978, has been extensively modernized to provide the Company with greater capacity and efficiency benefits.

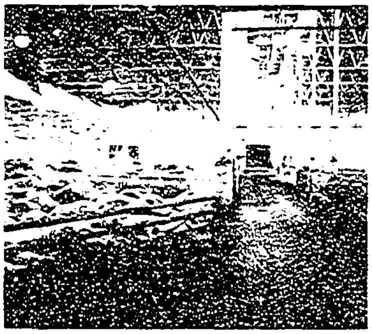
Refineries Division

Improvement and growth best describe the development of the Refineries Division during fiscal 1983. With new equipment and production techniques brought into refinery operations at the Austin plant, plus the opening of exciting new market opportunities, this Division displayed impressive growth in tonnage. The second hog processing shift provided the Refineries Division with a substantially larger and more uniform supply of raw materials that oftentimes created a need for round-the-clock operations five days a week. An increased demand for ingredients used in Company feed operations also contributed to the improved results of the Refineries Division.

Newly-installed stainless steel cooking tanks at the Austin plant are already providing the Company with new outlets for the marketing of highly-nutritious, flavorful beef, pork and meat stocks. This equipment has a production capacity of more than 2.2 million pounds annually, it is but one of only a limited number of operations believed to exist in the U.S.







Top photo A close up view of packaging operations for Super Select™ pork This product is packed in clear, see-all-around atmosphere-controlled packages that provide longer stay-fresh life. Center photo Newly-installed stainless steel cooking tanks at the Austin (Minn.) plant are used in the production of beef, pork and meat stocks. Bottom photo Clean airy and spacious livestock holding pens at the Austin plant accommodate more than 6,500 hogs. Right photo Quality, for Geo A Hormel & Company, begins on the farm Experienced livestock buyers are in daily touch with hog producers searching for animals that will provide the optimum amount of lean meat

Actual production of soup stocks in the new Austin plant began just one year ago with full production achieved by early June. They are sold primarily to food manufacturers for the preparation of soups, sauces and gravy mixes

Pork tissue, valued for its high-protein and low-fat content, continues to be an important product. Produced through a low-temperature, continuous rendering system now operating in Austin, Fremont and Ottumwa, pork tissue is marketed to both domestic and foreign food manufacturers, including the Company's own Beloit (Wis.) grocery products canning plant where it is used in the production of a meat spread item. *Hormel* pork tissue is packed in 30-pound boxes and blast frozen prior to shipment.

Dry rendering operations in Fremont are used in the manufacture of *Hormel* pork cracklings, a deep-fat fried item that has developed a loyal following in many southern states. Used principally as an ingredient in corn bread, this product is packed in both 25-pound bulk boxes and in one-pound bags, providing convenience to retailers and consumers.

Mechanically-separated pork, yet another product of the Refineries Division, is awaiting United States Department of Agriculture (USDA) approval before it can be marketed in this country. This product is presently sold exclusively to foreign markets where it is used as a high-protein food additive. Following expected USDA authorization, mechanically-separated pork will be offered to both domestic and export markets.

Feed Division

Benefiting from the tremendous potential for continued expansion within existing territories, the Feed Division recorded a 26 percent increase in sales during fiscal 1983, topping an 18 percent rise attained the previous year.

Recent new additions to the feed supplements line have extended the concept of Hormel as a "one stop" source for on-farm livestock feeding programs. *Basepac®* feeds, introduced in 1982, enjoyed impressive tonnage gains in the year just concluded and have already earned recognition as the cornerstone series of the entire Feed Division. A *Basepac®* dairy mix was added to the original *Hormel* dairy supplement and a texturized calf starter was introduced as a companion to the dairy line. Complementing these introductions was the development of an extended line of vitamin/trace mineral packs, all in convenient 10-pound bags, which further identified Hormel as a complete line supplier through the dealer to the farm customer.

The independent feed mill which produces feeds exclusively for the Hormel Feed Division is operating at near maximum capacity. The rising popularity of *Basepac®* feeds and increased sales from other beef cattle, dairy cattle, hog, sheep and poultry supplements have contributed to the all-time record volumes of feed manufactured at this facility.

The Hormel Experimental Farm continues to provide valuable support to the total feed program. Feed customers and hog producers who supply raw materials for Company processing plants are able to study actual pork production operations in which Hormel-produced feeds, both new and existing formulations, are tested and evaluated to insure they meet all established quality criteria.

Hog Supplies / 1983 and Beyond

On the heels of record low hog supplies and record high raw material costs in fiscal 1982, the past year brought welcome relief to the meat packing industry. Hog numbers began to rebound early in the year and prices edged lower from the all-time highs witnessed late in 1982.

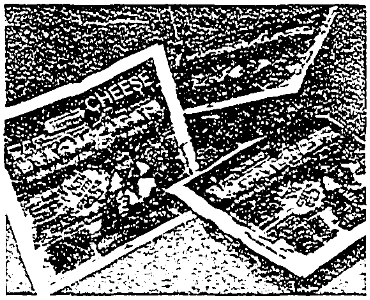
Market hog inventories this past fiscal year were about 106 percent of 1982 numbers with most of the growth occurring in the second half. For the year, the average price of market hogs dropped approximately 15 percent from the average in 1982.

Consequences reflecting USDA action and poor weather caused an unexpected rapid turnaround in the normal pattern of the hog cycle. The USDA Payment-in-Kind program and a severe drought in many Midwestern states pushed feed grain prices to a level that made raising hogs for many pork producers a marginal success at best. Consequently, many farmers reduced the size of their herds, causing speculation that fewer hogs will be available during the second half of fiscal 1984.

Hog supplies for the current quarter are projected to be about 10 percent above that of one year ago; second quarter numbers will be a modest two percent above the corresponding 1983 period For the second half, current forecasting suggests that supplies will be down as much as 10 percent when compared to the same six months of the previous year.


Hormel

Meat Products Group



Top photo Wranglers® smoked franks with cheese was placed into national distribution at mid-year. Center photos Hormel cheddar cheese & pepperoni is now marketed in a 10-oz size through the self service dairy case Two new lower-fat, reduced-calorie luncheon meats were added to the Light & Lean™ line. Bottom photo Acceptance of the versatile line of lean-trimmed, fresh boneless pork products, introduced under the Super Select™ brand, has been excellent. Right photo Homeland® hard salami represents one of the largest and most successful product introductions in Meat Products Group history.

The commendable results attained by the Meat Products Group during fiscal 1983 were based solidly upon an approach to innovation. This commitment spurred the development of new and better products, new processes and technology and new methods of packaging, all of which were coupled with timely and aggressive marketing and advertising strategies.

The year was also notable for major steps taken in strengthening the Group's management structure and sales organization. A significant part of the restructuring was the creation of seven regions which makes possible improved communications, more effective internal efficiencies and operating controls, greater sales concentration and a clearer focus on local marketing opportunities. At the same time, the Meat Products Group displayed competence in carrying out effective cost-cutting measures designed to provide improvement in the efficiency of its existing manufacturing and distribution facilities.

New Product Innovation

Perhaps the most visible of the Meat Products Group's many intense innovative efforts has been the development of new products and line extensions and improvements in existing lines.

One fitting example of a new product developed to meet today's taste preference is *Wranglers®* smoked franks with cheese. Placed into national distribution at mid-year, this new item has met with overwhelming acceptance by adults and children alike. Its popularity stems from the addition of one of America's favorite flavors, tangy, golden cheese, to the traditional smoky campfire flavor, coarse-ground texture and richly-seasoned taste associated with the *Wranglers®* product line. Supported by creative merchandising, *Wranglers®* smoked franks with cheese is also credited with bringing new life in the marketplace to its two forerunners in the category, *Wranglers®* smoked franks and *Wranglers®* smoked beef franks.

The Meat Products Group made its first entry into the high-volume, self-service dairy case in early 1983 with the introduction of 10-oz. *Hormel* cheddar cheese & pepperoni. This specialty item was developed following the extremely successful response from service delicatessens to the same product in a 10-lb. loaf. *Hormel* cheddar cheese & pepperoni has the potential of becoming one of the Company's best-ever marketing endeavors. One leading cheese manufacturer praised the product as the most innovative entry in 15 years into the multi-billion dollar domestic cheese market.

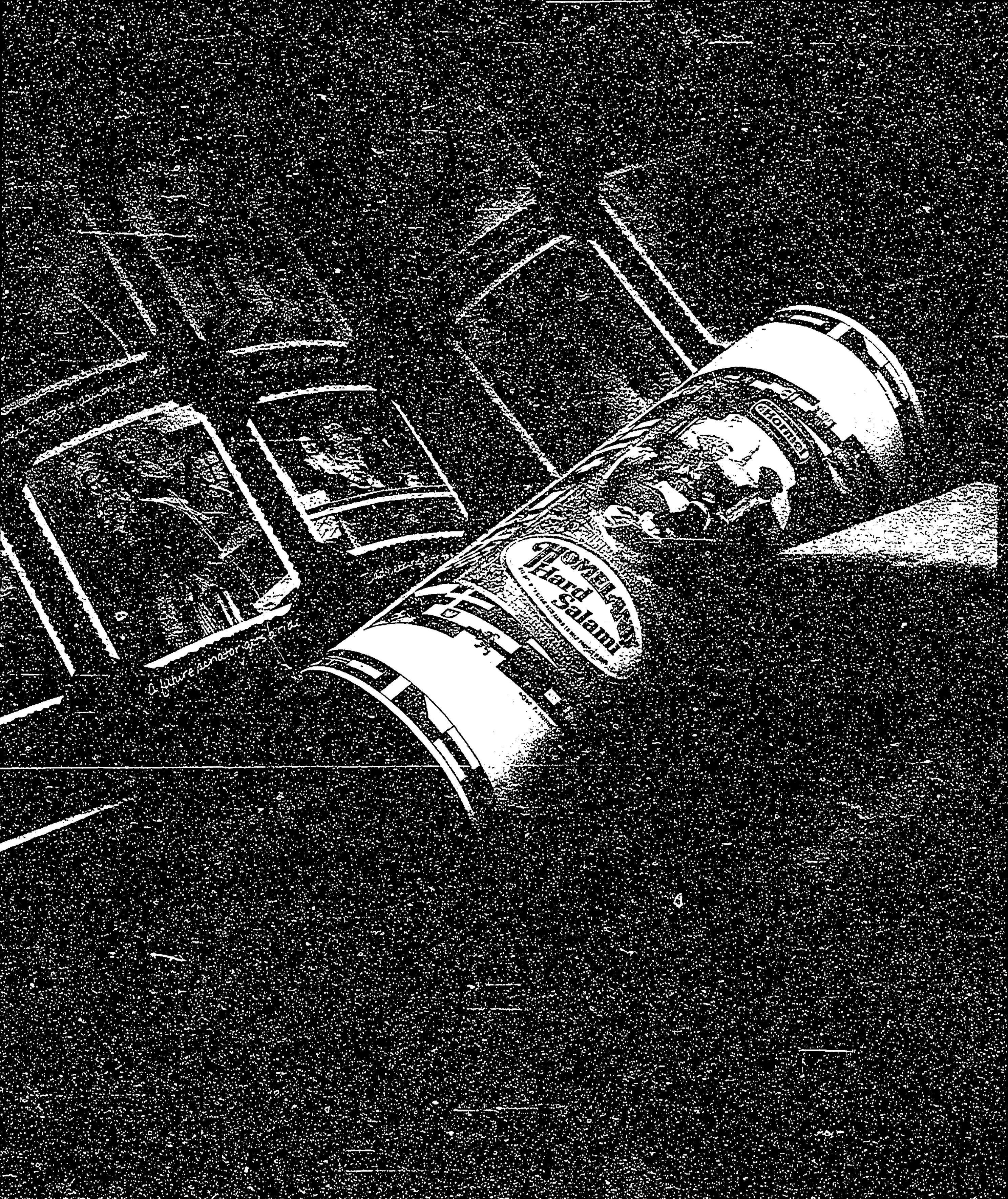
In recent years, the Meat Products Group has consistently introduced products which have great appeal to consumer groups seeking a well-balanced diet with moderate calorie intake. Two new lower-fat, reduced-calorie luncheon meats, Barbecued flavored ham and New England brand loaf, both marketed under the *Light & Lean™* brand name, moved into national distribution during 1983. This raises to nine the number of luncheon meat items reformulated to make a significant contribution to a nutritionally-sound diet.

In late 1982, developmental work on an atmosphere-controlled package that extends shelf life was completed, and a variety of lean-trimmed, fresh boneless pork products was introduced under the *Super Select™* brand. Acceptance of this versatile product line in its first full year in the marketplace has been excellent.

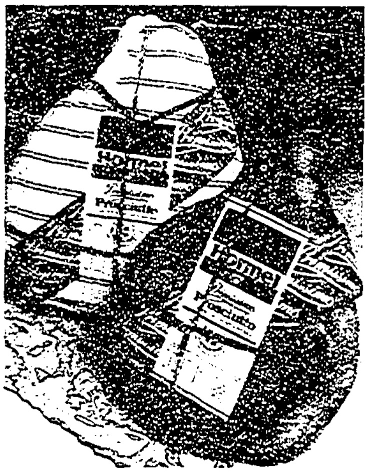
Included in the *Super Select™* line are boneless whole loins, shoulder butt roasts, tenderloins and ham roasts. Each is packed in its own natural juices inside a clear, vacuum-sealed package. These large, specially hand-picked, knife-ready pork cuts offer retailers an alternative: they may price and sell them whole, or cut and package the carefully-trimmed product into such items as boneless roasts, butterfly chops, country style ribs, ham or cubed steaks, tenderloin chops or pork kabobs.

Other new products scheduled to make their debuts in early 1984 are *Hormel* pepperoni pieces, *Hormel* bacon pieces and Broiled 'n Browned *Little Sizzlers®* pork sausage.

A unique packaging concept will highlight the introduction of *Hormel* pepperoni pieces and *Hormel* bacon pieces. The 3-oz. vacuum-sealed package has a convenient reclosable feature that increases shelf life and assures product freshness over a longer period of time. To be sold in the refrigerated sections of the supermarket, both products will find their appeal with consumer groups as a flavorful addition to be sprinkled on salads, pizza and various other food dishes.



INNOVATION



Top photo: Newly-developed technology helped upgrade in both quality and value the Company's Primissimo™ bone-in prosciutto; Center photo: The Company has a full line of quality meats and specialty products developed for the exclusive use of the U.S. food service industry; Bottom photo: Rosa Grande™ lasagna is a new addition to the Food Service Division's line of frozen prepared entrees; Right photo: "The Impossible Pizza Pie" recipe was the result of a very successful joint promotion between Hormel pepperoni and General Mills Bisquick® buttermilk mix.

Broiled 'n Browned *Little Sizzlers®* pork sausage is another convenience-oriented product nearly ready for its market appearance. To be introduced to both the food service and retail trade, this precooked product offers the same lively taste as its parent uncooked item, but provides the additional benefit that it needs only to be reheated in a microwave oven for quick and easy serving.

Dry Sausage Division

As 1983 began, one of the largest and most successful product introductions in Meat Products Group history was launched. *Homeland®* hard salami, in just one year, has built significant sales and market shares with a volume rise that outpaced the total industry. It is swiftly earning both retail trade and consumer recognition.

This product is the first complete marketing and advertising effort ever directed to reaching the millions of Americans who have vivid recollections of the tasteful, rich hard salami formerly enjoyed by their forefathers. *Homeland®* hard salami fills the void that existed in the broad hard salami market. It has a hearty, robust flavor with a savory blend of spices and garlic — an unforgettable taste consumers best identify as distinctive of their native land. The label has been designed to communicate the heritage and nostalgia of the immigrants who came to America nearly one century ago. Traditional flags, as they existed in the early 1900's, are an integral part of the design.

So successful has been this total marketing effort that Hormel has just recently introduced *Homeland®* hard salami in convenient 4-oz. consumer-size packages. This will further the Meat Products Group's already strong presence in this heretofore untapped market.

Late in the year, two items were added to the fast-growing snack market. *Hormel* genoa salami and *Hormel* hard salami were merchandised in wide-diameter form with each 3½-oz. wallet-size package containing more than 40 slices. The strong brand identity and built-in sales volume of these dry sausage favorites have helped contribute to their popularity as a party-time or snack-time food.

During the year, the Meat Products Group took advantage of newly-developed technology to upgrade in both quality and value its *Primissimo™* bone-in prosciutto. Of major significance is an improvement in the shaping and trimming techniques that allow for greater yield, larger, more uniform slices and less waste. Converting to this advanced process has also resulted in a more tender, moist, less salty product that produces generally sweet slices from end to end.

Food Service Division

The growth in breakfast sales among national fast-food and family restaurant chains led to the introduction of precooked sausage patties, hot and mild, available in ¾-, 1- and 1½-oz. portions; corned beef hash patties, in either 2- or 4-oz. sizes, and 1-oz. corned beef hash fingers, all sold under the *Hormel* brand name. Two other portion-control items, charbroiled ham steaks and charbroiled beef patties, have found their niche as popular items on school lunch menus.

Another unique segment of the food service market is the growing trend for new snacks or "finger foods." *Hormel* pork nuggets, a new member of the chopped and formed frozen meats line, is an inexpensive but quality product that deep fries to a golden brown. It can be served in a basket, complemented with french fries and coleslaw, or added to an hors d'oeuvre tray for use with a variety of tasteful sauces.

The Food Service Division strengthened its position as a national marketer of frozen prepared entrees with the introduction of *Rosa Grande™* lasagna and *Hormel* potatoes au gratin. The two additions join a mixed variety of beef, combination beef, seafood and dairy, pork, poultry and smoked and cured meat entrees which are portion-packed and sold in convenient aluminum steam table trays.

Packaging Innovations

Packaging is another aspect of innovation that has helped the Meat Products Group introduce important improvements in both product quality and convenience.

San Remo™ genoa, for example, is now marketed in an air-tight, vacuum-sealed package that better captures the product's full, rich flavor and freshness. Equally beneficial has been the newly-developed, multi-colored casing which has increased brand identity and visibility in the delicatessen section, thereby accounting for impressive sales gains.

Meanwhile, a new marketing strategy applied to twin-link *Rosa™* pepperoni and *Rosa Grande®* pepperoni has proven especially effective. Both long-time favorites are now being merchandised in colorful, eye-appealing display boxes set on top of the deli case for maximum exposure.

Top photo King-size bus boards helped support the most comprehensive advertising program ever for Di Lusso® genoa. Center photo The 24-page Austin Street Market™ catalog represented the Company's first major venture into the mail order industry. Bottom photo Hormel is an exclusive supplier of meat products to the Walt Disney World® Vacation Kingdom and Disneyland®. Right photo A Cure 81® ham advertising campaign reaffirmed the value of presenting honest and useful information to the consumer

Marketing Innovations

Believing that consumers are concerned with value and willing to purchase those products that offer consistent high quality, the Meat Products Group chose extensive print advertising to compare the famous *Cure 81®* ham with that of lower-priced water-added hams. The message emphasized that the difference between water-added hams and *Cure 81®* hams affects both the price and quantity of meat in the total package weight. A 10-lb. water-added ham can mean nine pounds of meat to one pound of water; on the other hand, a comparable 10-lb. *Cure 81®* ham contains very little water but a full 10 pounds of lean and tender ham. "*Cure 81®* hams do cost more than other brands, but then meat costs more than water," stressed the advertisements. The success of this unique campaign reaffirmed the fundamental value of presenting straight-forward, honest and useful information to the consumer.

Other innovative and well-executed marketing/advertising programs added to the Company's sales leadership in dry sausage. The Meat Products Group is the largest supplier of pepperoni to the retail grocery, including self-service and deli sections, and food service industries. A national promotional and advertising campaign, unveiled in late 1982, was expanded during the past year and is scheduled to continue throughout the fiscal year ahead.

The unified theme of the campaign, "*Hormel* pepperoni — it's not just for pizza anymore," reminds consumers that this unique, spicy/sweet tasting product adds new excitement to such favorites as omelets, salads, sandwiches and pasta dishes. The first effort to attain broadened usage occurred with the introduction of "Pepperoni Pinwheel Crescents," featuring *Hormel* pepperoni and *Pillsbury* crescent rolls. Later, advertisements in top-selling major women's magazines, having a total monthly readership of over 64 million, introduced other new recipe suggestions, including salad antipasto, pepperoni frittata and pasta with carbonara sauce.

Highlighting the year's effort was a joint promotion between *Hormel* pepperoni and General Mills *Bisquick®* buttermilk mix, one of the most famous brands on the retail shelf. Entitled "The Impossible Pizza Pie," this gigantic in-store promotion met with overwhelming success.

"Flavor Worthy of a Caesar" was the very imaginative theme which supported the most comprehensive advertising effort ever for *Di Lusso®* genoa. Truly one of the Company's "flagship" products, this large promotion was implemented in the New York City neighborhoods where genoa consumption is the highest. King-size bus boards were carried on more than 1,000 buses in Queens, the Bronx, Brooklyn and north and central New Jersey. Outdoor billboard posters appeared in more than 400 locations and were supplemented by newspaper advertisements designed to reach more than 23 million readers.

Direct Mail Catalog

Late in the fiscal year, the Meat Products Group showcased its first major venture at capturing a share of the $15.3 billion mail order industry. Over one-half million copies of *Austin Street Market™* catalog, a colorful 24-page direct mail booklet, were mailed at the start of the holiday gift planning season.

The new catalog is a highly-creative presentation that expresses all the ambiance of a crowded deli market. The selected items, available by telephone or mail order, include both Hormel and non-Hormel food products and a wide assortment of other popular non-food housewares. Among the Hormel products listed in the catalog are *Cure 81®* ham, *Homeland®* hard salami, *Black Label™* ham, *Di Lusso®* genoa, plus a variety of sausages, salami, freshly-frozen pork, bacon and wieners. Breads, poultry, cheeses, seafood and desserts are other gourmet choices that comprise the food list. The non-food items are unique kitchen or serving utensils, including baskets, cutlery and bread boards.

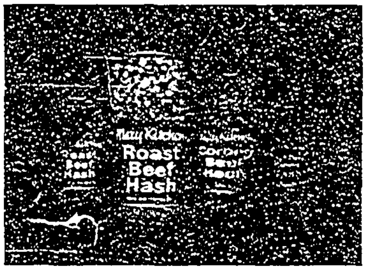
Hormel Becomes Disney "Partner"

Hormel has now completed one year as the exclusive supplier of wieners, bacon, ham and pork sausage products to the food operations which comprise the *Walt Disney World®* Vacation Kingdom and *Disneyland.®*

Through this special affiliation, well-known Hormel products are marketed through selected theme restaurants unique to each Disney attraction. In Anaheim, Calif., the River Belle Terrace Restaurant, designed around a riverboat theme, and, in Orlando, Fla., the Town Square Restaurant and the Heidelberg Deli all serve consumer-preferred Hormel products. A retail outlet at *Walt Disney World®* Vacation Kingdom also offers a full array of *Hormel* deli sausage products, including loaves, salami, sausages and prosciutti hams. Street vendors located throughout both parks also serve *Hormel* wieners and other foods to Disney visitors.


Cure 81
REGISTERED BONELESS HAM
531670

Prepared Foods Group



Top photo The "Instant Hash Cash Game" was a promotion to stimulate sales of Mary Kitchen® roast beef hash and Mary Kitchen® corned beef hash. Second photo A growing variety of stews was added to the Dinty Moore® brand during 1983 Still another new product, Dinty Moore® burger-chunk stew, is scheduled for 1984 distribution. Bottom photos Service-oriented advertising shows the housewife how to prepare interesting and varied meals using SPAM® luncheon meat These two are entitled "SPAM® Melt" and "Home-Style Pizza". Right photo The Great Beginnings™ chunky meat and gravy line, consisting of four varieties, was introduced last fall

The story of fiscal 1983 for the Prepared Foods Group is one of exceptional performance. It is a familiar story of uninterrupted progress in which the Grocery Products Division, the Group's "flagship" Division, completed another outstanding year of building upon its leadership in the canned meats industry. It was also a year in which the Industrial Products Division concentrated on the basics of its business, added innovatively to its operating and marketing programs and, by year-end, had improved its total distribution and volume growth.

Specifically, the robust year enjoyed by the Grocery Products Division was characterized by strong volume increases from well-established brands which enjoy a first- or second market leadership position. In the ever-increasing stew category, *Dinty Moore®* beef stew recorded a seven percent rise in unit volume. *Hormel* chili sales climbed three percent. *Mary Kitchen®* roast beef hash and *Mary Kitchen®* corned beef hash registered a modest gain. *Hormel* bacon bits rose an impressive 12 percent and the Company's growing line of poultry products; namely, *Hormel* chunk breast of chicken and *Hormel* chunk white and dark chicken, scored a major advance with a brisk 20 percent sales volume increase.

SPAM® luncheon meat, after a slow start and competing in a category that has experienced a loss in tonnage within the past decade, rebounded swiftly late in the year. Despite the many market challenges which slowed sales growth, this product continues to lead the canned meat market.

In addition, the rapid pace of new product introductions and line extensions, 11 grocery products items were launched in 1983 and 14 more will make an early 1984 debut, provided credence to the Company's ongoing program of marketing new foods designed to serve modern consumer lifestyles This effort was supported by aggressive and innovative marketing campaigns.

New Product Momentum

Collaborating with internal research and development efforts and the production/manufacturing skills provided within the Operations Group, the Grocery Products Division continued to expand the marketplace with a broad range of distinctive new food products. Included were new product concepts, added varieties and sizes and new product formulations. These latest market entries, now in various stages of distribution, reaffirm the Division's pre-eminence as a food marketer and its ability to react quickly to fulfilling new, identifiable consumer needs and wants.

Perhaps the best example of the attention given to the development of new technologies can be found with the introduction in early fall of the exciting *Great Beginnings™* chunky meat and gravy line. The new 15-oz. products are available in four popular varieties — chunky beef, chunky pork, chunky turkey and chunky chicken. Each is produced with a rich-tasting gravy. *Great Beginnings™* provide the basics for many home favorites, including hot roast beef and turkey sandwiches, and need only to be heated and served over biscuits, pasta, rice, noodles or toast, or in a pastry crust, to create a variety of tasty and nutritious, simple or elegant meals in a hurry. In addition, homemakers have the option of being more delicate in their meal preparation and can simply season and add mushrooms, cheese, green peppers or other ingredients to make a seemingly endless number of creative meals.

The innovative packaging adds further excitement to this product line introduction. *Great Beginnings™*, although produced in metal cans, are packed into unique four-sided cartons. These square cartons provide for more on-package graphics, including photographs of prepared dishes using the chunky meat and sauce products; allow additional space for possible in-package offers and coupons, and help enhance and upgrade the total canned meat image.

Stirring up the very best in stews, the Grocery Products Division enlarged this popular canned meats line in 1983 with the addition of *Dinty Moore®* chicken stew and *Dinty Moore®* noodles & chicken, both in 15-oz. sizes; the expansion of *Dinty Moore®* brunswick stew from 7½-oz. single-serving to 15- and 25-ozs., and the launching of *Dinty Moore®* vegetable stew, also in a 15-oz. can. Still another new product, 25-oz. *Dinty Moore®* burgerchunk stew, is scheduled for distribution in 1984.


Hormel
Great Beginnings
Chunky Beef
Great Beginnings
Chunky Turkey
Great Beginnings
Chunky Pork
Great Beginnings
Golden Gravy
Chunky Chicken
Great Beginnings
Chunky Beef
INNOVATION

Top photo Several new additions were made to the Company's line of chunk products. Bottom photo These two items are scheduled to make their market debuts in early 1984. Right photo A tremendously successful advertising campaign has been the series of 30-second television commercials for Dinty Moore® beef stew featuring young actors and actresses

Chunk Meats Category

As much as anything else, what has distinguished the Grocery Products Division from its competition has been the ability to respond to change. A notable example involves the chunk meats category where, during the year, strong emphasis was given to product formulation, an extension of the line and the development of an updated label design for added consumer appeal.

These changes reflect the growing preference for poultry products. Americans are already eating three times as much chicken as they did 40 years ago, amounting to over 52 pounds per person, and per capita consumption is projected to increase another 11 percent by 1987.

Recognizing this growing trend, the Grocery Products Division reformulated and upgraded its chunk chicken product. A change was made to an exclusive use of breast meat which, according to consumer research studies, is viewed to be the highest quality part of the chicken.

Another promising addition is *Hormel* chunk white and dark chicken. This new product is a tasty blend of white and dark meat that is finding growing use in salads, sandwiches and casseroles. A newly-introduced companion product is *Hormel* chunk dark chicken which represents yet another alternative for consumers seeking an inexpensive protein source relatively low in calories, cholesterol and saturated fats.

Now being tested in the Pacific Northwest is *Hormel* no salt added chunk white and dark chicken. With the use of less salt also a concern to many consumers, the Grocery Products Division is looking closely at the market potential for new low-sodium products which retain good taste and eating qualities.

Two mainstays of the Company's chunk meats line, *Hormel* chunk ham and *Hormel* chunk turkey, provide brand identification and strength to the entire category, particularly to the recently-developed poultry additions.

Other Product Developments

The best-selling brand in the real bacon bits category continues to be *Hormel* bacon bits, now in its fourth full year of national distribution. Complementing this proven consumer favorite will be the introduction early this year of three totally new varieties — *Hormel* cheddar cheese-flavored bits, *Hormel* blue cheese-flavored bits and *Hormel* pepperoni bits.

The diversified line of *Hormel* chili products remained the clear market leader in 1983. Sales volume increased three percent in the year just ended, a pace equal to the total industry growth.

In support of plans to broaden this growing category, *Hormel* chunky chili with beans and *Hormel* chili with beans (reduced salt) are scheduled to move into selected test markets before the end of the Company's fiscal 1984 second quarter. The first item is a distinctive new entry that combines bite-size chunks of tender, diced beef with the traditionally rich and zesty flavor long identified with the chili product line. The second addition is a low-sodium version of *Hormel* chili with beans which is by far the preferred choice of consumers in the marketplace.

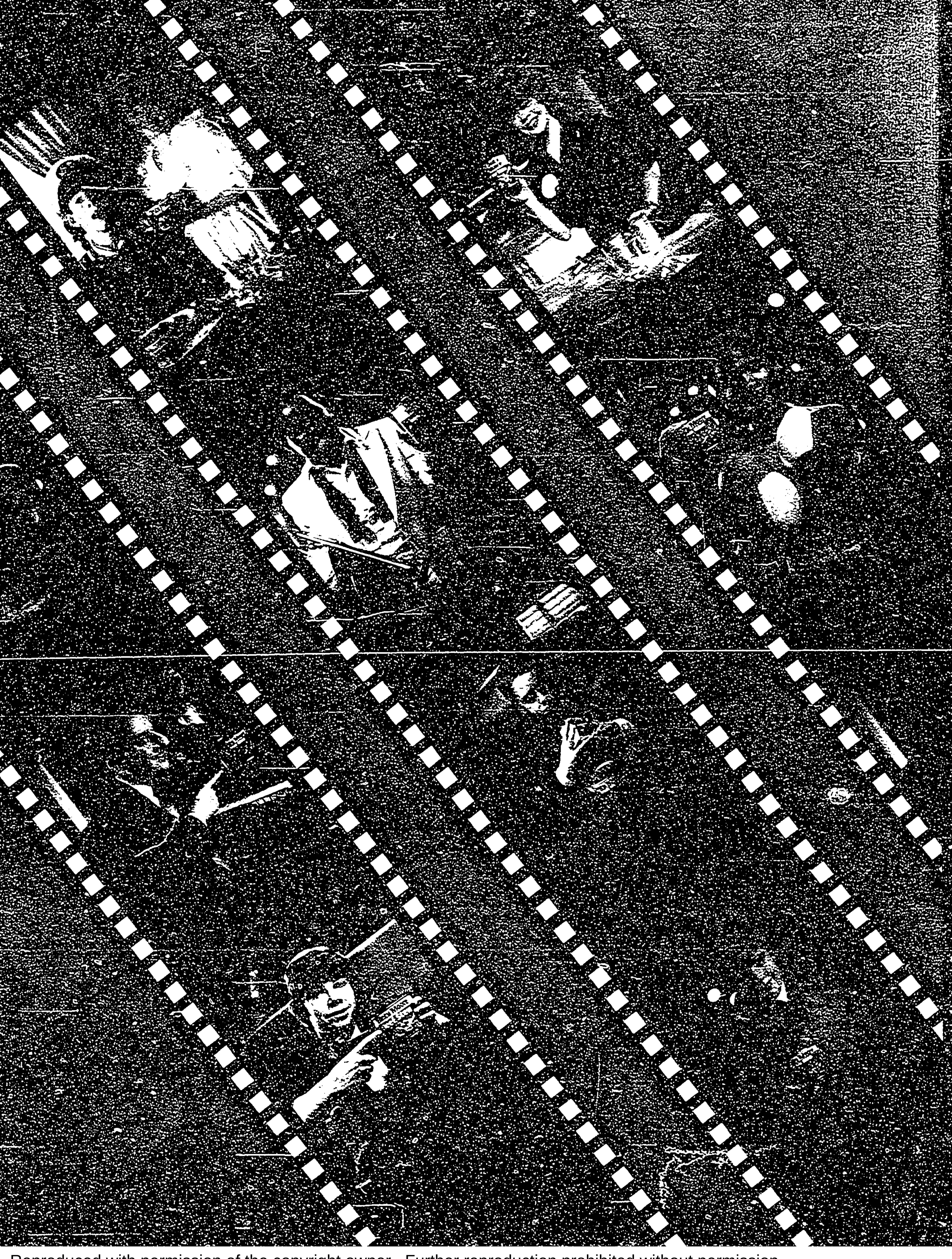
Another recently-introduced addition to the Grocery Products Division product roster is *Hormel* dried beef, now marketed in 2½-and 5-oz. glass jars in the prepared foods section of the supermarket. This newly-positioned shelf-stable item, aided by the long-standing popularity of the original 2½-oz. vacuum-pouch *Hormel* dried beef, places the Company in a position to fully capitalize on a market segment perceived to have good growth potential.

Marketing Programs

SPAM® luncheon meat received major attention from a sweepstakes promotion which challenged consumers to identify a "Mystery Celebrity" *SPAM®* lover. Supported by full-page, four-color advertisements in seven major magazines, plus special point-of-purchase stack cards and tear-off pads, more than 2,500 prizes were offered with the grand prize winner eligible to receive a $15,000 cash gift. This successful campaign reinforced the theme in which interviewed consumers expressed their "surprise" at how good *SPAM®* luncheon meat tastes.

A multi-million dollar national radio campaign, entitled "Come on America, Discover the Great Taste of *SPAM®*," along with two attractive premium offers, were significant marketing efforts that have earned unusually strong trade and consumer acceptance.

Four network radio commercials and one television spot, augmented by advertisements in both national women's and special male-oriented publications, introduce still another version of a very successful *Hormel* chili theme, "Is it homemade or *Hormel?*"



Top and bottom photos Hormel continues to expand its line of Mexican-style frozen foods These burritos and enchiladas fully capture the flavor consumers seek in their favorite Mexican dishes. Right photo Black Label™ ham, lean, tender and flavorful, is available in a wide variety of sizes to meet the meal-time needs of families large or small

With comedian Rich Little as impressionist, sleuths are asked to uncover the truth about great-tasting chili and, in so doing, determine that *Hormel* chili is so close to homemade that it "just might get you into trouble."

A tremendously successful advertising campaign has been the series of 30-second television commercials for *Dinty Moore®* beef stew. Young actors and actresses were used early in the year to deliver a message that was informative, charming and entertaining.

Capitalizing on the consumer response to the nationally-aired TV spots, the Grocery Products Division introduced a new series of "second generation" television commercials at year-end. Using the same theme, *"Dinty Moore®* beef stew, the real meat-and-potatoes meal," a second flight of commercials was created.

Frozen Foods

The Company is continuing to increase its participation in the retail frozen foods business with the planned introduction in 1984 of four south-of-the-border Mexican-style products. *Hormel* burrito grande, a top-of-the-line premium product, and *Hormel* mexicali dog, a tortilla-style item, are to be marketed early in the year in convenient, single-serving packages

Another area offering excellent growth potential is frozen Mexican desserts. *Hormel* apple dulcita and *Hormel* cherry dulcita, soon to be distributed in five test markets, represent the Company's first concerted effort at capturing a share of this promising category. These two universally-liked fruits are wrapped in a flour tortilla and covered with a sugar glaze

A fifth item, the 2¾-oz. *Hormel* corn dog, is also scheduled to make its market debut at the beginning of the year. A batter-wrapped wiener on a stick, this single-serve product is expected to have its greatest appeal as a quick in-home lunch item and as a popular new addition to the sandwich-type section of the convenience store. Already in national distribution is a 16½-oz. package of *Hormel* corn dogs which are sold principally through self-serve meat departments

Industrial Products Division

In order to meet additional manufacturing requirements and achieve greater asset utilization, the Davenport (Iowa) gelatin/specialized proteins plant began operations during fiscal 1983 on a full seven-day, around-the-clock basis. As a result, production capacity is now three times greater than that previously available at formerly used facilities in Austin, Minn. The unique design and innovative operating procedures built into the four-year-old Davenport plant, aided by the employment of a skilled work force, have since led to full-scale production of pharmaceutical and food grade gelatins of the highest possible quality.

Early in the year, the sale of cosmetic-type specialty proteins dropped significantly as a still lingering unfavorable economic climate prompted consumers to hold back on many of their marketplace purchasing decisions. By year-end, however, commercial production of these proteins, used as an ingredient in the manufacture of hair shampoos and hair conditioners, returned to more normal levels.

The Industrial Products Division also began national distribution of *Sollagen®* collagen. This newest protein item, formulated for use in skin care products, was positioned to the cosmetic and toiletry trade as a U.S.-produced product having the same high-quality characteristics of the more familiar European-marketed collagen. The development of other specialty proteins, scheduled for trial introduction during the current year, will further document this Division's ability to completely serve the many unique and specialized needs of its diverse customers.

Consumer interest in generic-type products, including gelatin desserts and puddings, pre-sweetened soft drink mixes and hot cocoa mixes, declined during the year. The lost volume was recovered, however, from the increased demand by retail chains for additional shipments of brand name private label desserts.

Recognizing the popularity of low-calorie foods, the Industrial Products Division has developed a line of sugar-free products utilizing G. D Searle's *NutraSweet®* brand of aspartame (APM), a totally new sweetener made from proteins having the natural taste of sugar.

The first item to be marketed this year is *Light & Lean™* sugar-free hot cocoa mix. Following closely will be the introduction of other low-calorie items, including gelatin desserts, puddings, soft drink mixes and milk shakes.


Hormel

Officers and Directors

BOARD COMMITTEES

The Board of Directors of Geo. A. Hormel & Company presently consists of 13 members of whom seven are officers of the Company. Besides meeting monthly as a group to review Company business, the members of the Board of Directors also devote their time and talents to the following four standing committees

Personnel Committee

R L Knowlton,
chairman
Donald R Grangaard
Ray V Rose

The Personnel Committee has three members; one an employee director and two non-employee directors This Committee has the authority to review and to make recommendations to the Board of Directors and to the Chief Executive Officer on matters relating to employee compensation, retirement, medical and life insurance benefits and executive development planning.

Contributions Committee

I J Holton,
chairman
Raymond J Asp
William R Hunter

The Contributions Committee has three members, two of whom are employee directors. This Committee is involved in reviewing charitable contributions, many of which are made to activities and organizations in communities in which the Company operates. It evaluates the needs of various organizations and recommends the extent to which corporate financial support should be made available to worthy educational, humanitarian services and civic project endeavors

Audit Committee

Donald R Grangaard,
chairman
Clarence G Adamy
Sherwood O Berg
Geri M. Joseph

The Audit Committee, composed entirely of non-employee directors, reviews activities and matters pertaining to the audit, including systems of internal control and accounting policies and procedures, approves services provided by the independent auditors and directs and supervises investigations into matters within the scope of its duties.

Executive Committee

R L Knowlton,
chairman
Raymond J Asp
William R Hunter
James A Silbaugh
E C Alsaker
Robert F Potach
Robert M Gill

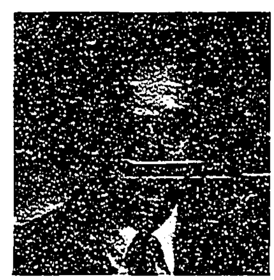
The Executive Committee has seven members, all of whom are employee directors. This Committee has most of the powers of the Board of Directors and can act when the Board is not in session.

CHANGES IN OFFICERS AND DIRECTORS

Several important changes in the top management of Geo. A. Hormel & Company occurred during fiscal 1983. I. J. Holton, former president and chairman of the board, retired April 30 as chairman of the Executive Committee, ending 36 years of distinguished service to the Company. His outstanding career was characterized by extraordinary devotion to the Company, its employees and stockholders and to the meat packing industry. He continues to serve as a member of the Company's Board of Directors.

Lee D. Housewright, Jr., executive vice president of the Meat Products Group, also ended 36 years of distinguished and dedicated service with his April 30 retirement. James A. Silbaugh, former senior vice president, was advanced to group vice president and elected to succeed Housewright on the Company's Board of Directors.

John R. Furman, vice president of the Dry Sausage Division, retired December 31, 1982, after 35 years of loyal and exemplary service. Donald R. Grangaard resigned from the Company's Board of Directors on October 31. A Board member since July, 1974, his resignation coincided with his retirement from active employment with First Bank System, Inc., of Minneapolis, Minn. The Company values his long period of dedicated and distinguished service. Three new officers of the corporation were chosen at the January 25, 1983, meeting of the Board of Directors. Marvin F. Moes was elected vice president of the Dry Sausage Division, succeeding Furman, and Thomas J. Leake and William O. McCormack, both members of the Company's Law Department, were advanced to assistant secretaries.

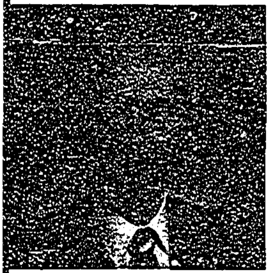


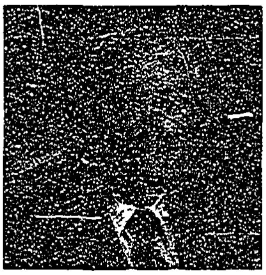
R. L. Knowlton
President
Chief Executive Officer
Director since September, 1974

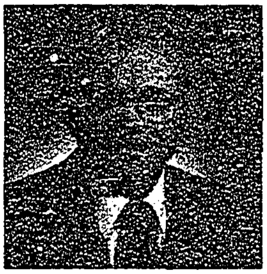
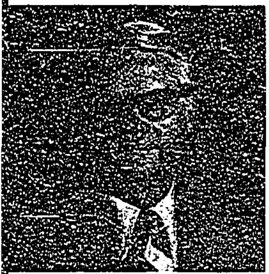
Frank M. Brown
Vice President
Engineering

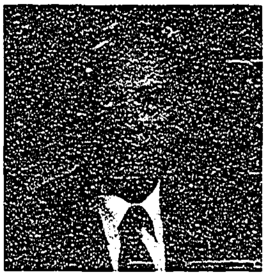
Robert J. Thatcher
Vice President
Taxes

William O. McCormack
Assistant Secretary
Elected January 25, 1983

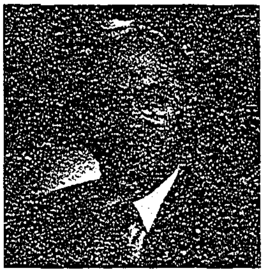
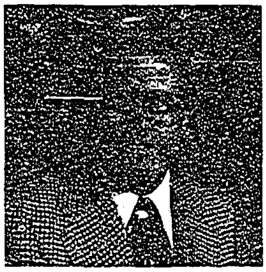








Raymond J. Asp
Executive Vice President
Prepared Foods
Director since August, 1969

Robert M. Gill
Vice President
Personnel &
Industrial Relations
Director since August, 1970

Robert G. Wells
Vice President
Pork & Beef Divisions

William R. Hunter
Group Vice President
Operations & Major Plants
Director since July, 1979

James E. Hall
Vice President
Grocery Products Division

Charles D. Nyberg
General Counsel
& Corporate Secretary

James A. Silbaugh
Group Vice President
Meat Products
Director since May, 1983

Stanley E. Kerber
Vice President
Meat Products Sales
& Distribution Plants

Richard W. Schlange
Controller

E. C. Alsaker
Senior Vice President
& Treasurer
Director since
November, 1969

Marvin F. Moes
Vice President
Dry Sausage Division
Elected January 25, 1983

Walter B. Stevens
Assistant Treasurer
Finance

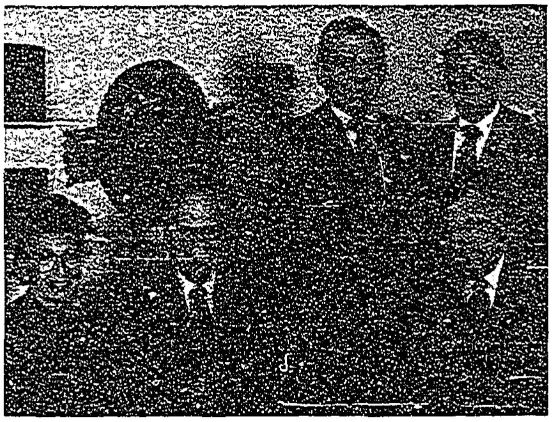
Robert F. Potach
Senior Vice President
Administration
Director since October, 1970

James N. Rieth
Vice President
Strategic Planning
& Development

Thomas J. Leake
Assistant Secretary
Elected January 25, 1983

Geri M. Joseph,
Minneapolis, Minn
Former U S. Ambassador to
The Netherlands
Director August, 1974-
July, 1978
Re-elected April 27, 1981

Sherwood O. Berg,
Brookings, S.D.
President
South Dakota State University
Director June, 1969-
June, 1973
Re-elected November 29,
1976



Standing are Ray V Rose and Clarence G. Adamy. Seated are Geri M. Joseph, Sherwood O Berg and Donald R. Grangaard.

Ray V. Rose,
Colorado Springs, Colo.
Food Industry Consultant
Director since October, 1981

Clarence G. Adamy,
Alexandria, Va.
Food Industry Consultant
Former President
National Association of
Food Chains
Director since January, 1977

Donald R. Grangaard,
Minneapolis, Minn.
Retired Chairman
of the Board
First Bank System, Inc
Director since July, 1974
Resigned October 31, 1983

I. J. Holton,
Austin, Minn.
Retired Chairman of the Board
Geo. A. Hormel & Company
Director since February, 1961

Hormel

FINANCIAL SECTION

Corporate Headquarters
Geo. A. Hormel & Company
P.O. Box 800
Austin, Minnesota 55912

About Your Stock

Geo. A. Hormel & Company common stock is listed on the American Stock Exchange. The stock is listed as "Horml" in the stock table listings which appear in daily newspapers. The abbreviated trading symbol is "HRL."

Auditors

Ernst & Whinney
1400 Pillsbury Center
Minneapolis, Minnesota 55402

Transfer Agent

The First National Bank of Chicago
One First National Plaza
Chicago, Illinois 60670

Communications concerning change in registered ownership and lost or stolen certificates should be directed to the Transfer Agent above.

Registrar

Harris Trust and Savings Bank
111 West Monroe Street
Chicago, Illinois 60690

Stockholder Inquiries

Communications concerning dividends and change of address should be directed to Geo. A. Hormel & Company, %Corporate Secretary, P.O. Box 800, Austin, Minnesota 55912.

Reports and Publications

This Annual Report is just one of the sources of information about the Company available to stockholders and the general public. Some of the other sources include:

Form 10-K to the Securities and Exchange Commission

Available in January, this Report provides further details of Geo. A. Hormel & Company's business. Stockholders of record and/or beneficial owners of the Company's stock may obtain, without charge, a copy of the most recent Form 10-K. A written request should be directed to Geo. A. Hormel & Company, %Director of Public Relations, P.O. Box 800, Austin, Minnesota 55912.

Notice of Annual Meeting and Proxy Statement

Mailed with the Company's Annual Report to each stockholder in early January, this publication provides biographies of the nominees for the Board of Directors, details of the shares of Hormel common stock they own, and a description of their principal affiliations with other companies or organizations. The Proxy Statement also describes the items of business to be voted on at the Annual Meeting.

Quarterly Reports

Mailed to each stockholder in February, May, August and November, these reports contain financial results and other current news about the Company.

Report on Annual Meeting of Stockholders

Mailed to each stockholder in February, shortly after the Annual Meeting, it summarizes the activities which transpired, providing a complete text of the president's address and the results of voting on items of business.

Duplicate Mailings

When shares owned by one stockholder are held in different forms of that name (Jane R. Doe, J. R. Doe and J. Rose Doe), duplicate mailing of stockholder information results. The Company, by law, is required to mail to each name on the stockholder list unless the stockholder requests that duplicate mailings be eliminated. Such requests should be directed to Geo. A. Hormel & Company. %Corporate Secretary, P.O. Box 800, Austin, Minnesota 55912, or by calling (507) 437-5298. If husband, wife and children own stock in their own names, reports will be sent to each unless the stockholder helps to eliminate this duplication by requesting only one copy. Send labels or label information indicating which name you wish to keep on the list and which names should be deleted. This will not affect dividend mailings.

Dividend Calendar

"Stockholder of record" refers to a stockholder who is entitled to receive a dividend on the "payable date" if he or she was listed as a Geo. A Hormel & Company stockholder on the "record date" (approximately 30 days before the payable date). Quarterly dividends are mailed so as to reach stockholders of Geo. A. Hormel & Company on the fifteenth of February, May, August and November.

Geo. A. Hormel & Company's Board of Directors typically declares the payment of a cash dividend each quarter. Since becoming a public company in 1928, Hormel has a dividend payout record of 55 consecutive years. Over the long term, the Company expects to increase dividends consonant with increased earnings. Increases in dividend payment are considered regularly by the Board of Directors.

Notice of Annual Meeting

The next Annual Meeting of the Company's stockholders will be held Tuesday, January 31, 1984, in the Austin High School Auditorium. The meeting will convene at 8:00 p.m. A formal notice of the meeting and proxy statement and proxy card are being sent to stockholders with this Annual Report. It will be mailed on or about January 6, 1984.

Corporate Profile

Headquartered in Austin, Minn., Geo. A. Hormel & Company is a federally-inspected food processor engaged in the processing of livestock into meat and meat products; the production of a variety of prepared foods, and the marketing of those products throughout the United States.

The principal products of the Company are meat and meat products — boneless hams, sausage items, wieners, sliced bacon, luncheon meats, stews, chilis, hash and meat spreads — which are sold fresh, frozen, cured, smoked, cooked and canned.

The Company's products are sold in all 50 states by salesmen operating in assigned territories coordinated from district sales offices located in most of the larger cities and by brokers and distributors who handle carload lot sales.

Hormel operates 17 plants for processing and has 11 distribution plants located along the West Coast, South Atlantic Coast, Gulf Coast and Hawaii. Hormel also operates in international areas, including the Philippines, Japan, Dominican Republic and in various European countries through Hormel International Corporation, a wholly-owned subsidiary.

There are numerous trademarks which are important to the Company's business. The more significant, commonly-known trademarks are *Hormel, SPAM, Dinty Moore, Mary Kitchen, Cure 81, Curemaster, Black Label, Di Lusso, Little Sizzlers* and *Wranglers*. Product brand names italicized in this 1983 Annual Report to Stockholders are trademarks of Geo. A. Hormel & Company or its subsidiaries.

Hormel employs 6,700 people and has approximately 5,000 stockholders.

Financial Highlights

	1983	1982
Net Sales	$1,417,705,000	$1,426,596,000
Net Earnings	$ 27,897,000	$ 28,051,000
Per Share of Common Stock	$ 2.90	$ 2.92
Percent of Sales	1.97%	1.97%
Dividends to Stockholders	$ 9,606,000	$ 9,222,000
Per Share of Common Stock	$ 1.00	$ .96
Capital Additions	$ 20,272,000	$ 66,344,000
Depreciation	$ 26,410,000	$ 17,587,000
Working Capital	$ 95,403,000	$ 69,527,000
Stockholders' Investment	$ 263,861,000	$ 245,570,000

COMMON STOCK DATA

The high and low bid price of Geo A Hormel & Company's common stock during each quarter of 1983 and 1982, respectively, and the dividends per share are shown below Quotations were obtained from *The Wall Street Journal*. The number of stockholders at October 29, 1983, exceeded 5,000

1983

Fiscal Year	*Cash Dividends Declared*	*Market Price Range*
First Quarter	$.25	$23¾-29⅞
Second Quarter	.25	24⅛-30
Third Quarter	.25	23⅞-31½
Fourth Quarter	.25	24⅜-29⅜

1982

Fiscal Year	*Cash Dividends Declared*	*Market Price Range*
First Quarter	$.24	$15⅝-19½
Second Quarter	.24	16⅛-24⅛
Third Quarter	.24	17¾-23¾
Fourth Quarter	.24	17½-24½

SELECTED FINANCIAL DATA

(Thousands of Dollars)

OPERATIONS	1983	1982	1981*
Net Sales	$1,417,705	$1,426,596	$1,433,966
Net Earnings	27,897	28,051	27,283
Percent of Sales	1.97%	1.97%	1.90%
Wage Costs	250,724	269,964	270,522
Total Taxes (excluding Payroll Tax)	28,483	22,805	18,796
Depreciation	26,410	17,587	13,887
FINANCIAL POSITION			
Working Capital	$ 95,403	$ 69,527	$ 59,440
Properties (net)	270,103	276,684	228,813
Total Assets	512,559	488,859	425,065
Long-Term Debt — Less Current Maturities	82,164	88,264	65,834
Stockholders' Investment	263,861	245,570	226,741
PER SHARE OF COMMON STOCK			
Net Earnings	$ 2.90	$ 2.92	$ 2.84
Dividends	1.00	.96	.92
Stockholders' Investment	27.47	25.56	23.60

*53 Weeks

1980	1979	1978	1977	1976*	1975	1974
$1,321,966	$1,414,016	$1,244,865	$1,106,274	$1,094,832	$995,593	$943,163
32,758	29,970	19,471	21,499	14,352	12,863	16,916
2.48%	2.12%	1.56%	1.94%	1.31%	1.29%	1.79%
254,303	233,878	201,633	192,590	180,236	167,951	151,920
28,077	27,635	17,997	22,857	13,844	12,703	17,679
13,452	12,102	11,551	11,312	10,697	9,140	7,667
$ 69,843	$ 84,646	$ 77,523	$ 68,479	$ 54,055	$ 64,350	$ 48,659
160,825	119,213	103,992	99,921	97,465	85,398	74,392
355,353	323,149	279,495	262,801	233,384	224,488	193,696
28,495	28,749	28,993	28,226	27,703	25,920	8,060
208,296	183,608	160,747	147,808	131,689	122,141	113,697
$ 3.41	$ 3.12	$ 2.03	$ 2.24	$ 1.49	$ 1.34	$ 1.76
.84	.74	.68	.56	.50	.46	.42
21.68	19.11	16.73	15.39	13.71	12.71	11.84

STATEMENTS OF FINANCIAL POSITION

GEO. A. HORMEL & COMPANY

	October 29, 1983	October 30, 1982
	(Thousands of Dollars)	
ASSETS		
CURRENT ASSETS		
Cash	$ 12,867	$ 12,096
Short-term marketable securities — at cost which approximates market	44,848	10,653
Accounts receivable	79,377	79,736
Inventories of products, livestock, packages and supplies — Note B	89,972	95,234
Income tax receivable		2,652
Prepaid expenses	4,752	1,943
TOTAL CURRENT ASSETS	231,816	202,314
INVESTMENTS AND OTHER ASSETS	10,640	9,861
PROPERTY, PLANT AND EQUIPMENT		
Land	3,684	3,625
Buildings	108,614	101,925
Equipment	286,565	280,841
Construction in progress — Notes F and I	5,092	9,744
	403,955	396,135
Less allowance for depreciation	(133,852)	(119,451)
	270,103	276,684
	$ 512,559	$ 488,859

LIABILITIES AND STOCKHOLDERS' INVESTMENT	October 29, 1983	October 30, 1982
	(Thousands of Dollars)	
CURRENT LIABILITIES		
Notes payable	$ 469	$ 284
Accounts payable	42,218	45,911
Accrued expenses	15,955	13,107
Employee compensation	55,563	62,706
Taxes other than federal income taxes	9,658	8,193
Dividends payable	2,402	2,306
Federal income taxes	9,856	
Current maturities of long-term debt	292	280
TOTAL CURRENT LIABILITIES	136,413	132,787
LONG-TERM DEBT — less current maturities — Note C	82,164	88,264
DEFERRED INCOME TAXES — Note E	30,121	22,238
STOCKHOLDERS' INVESTMENT		
Common Stock, par value $.9375 a share — authorized 12,000,000 shares, issued — 9,606,516 shares	9,006	9,006
Additional paid-in capital	2,761	2,761
Earnings reinvested in business	252,094	233,803
	263,861	245,570
	$ 512,559	$ 488,859

See notes to financial statements.

STATEMENTS OF EARNINGS AND EARNINGS REINVESTED IN BUSINESS

GEO. A. HORMEL & COMPANY

	Fiscal Year Ended		
	October 29, 1983	October 30, 1982	October 31, 1981
	(Thousands of Dollars)		
Sales, less returns and allowances	**$ 1,417,705**	$ 1,426,596	$ 1,433,966
Costs and expenses:			
Cost of products sold	**1,186,026**	1,221,177	1,224,910
Selling and delivery	**142,741**	137,479	140,327
Administrative and general	**27,816**	25,486	25,359
Other expense (income)	**(3,684)**	(4,193)	124
Interest	**14,039**	1,559	2,346
	1,366,938	1,381,508	1,393,066
EARNINGS BEFORE INCOME TAXES	**50,767**	45,088	40,900
Provision for income taxes — Note E	**22,870**	17,037	13,617
NET EARNINGS	**27,897**	28,051	27,283
Earnings reinvested in business — beginning of year	**233,803**	214,974	196,529
Cash dividends on Common Stock	**(9,606)**	(9,222)	(8,838)
EARNINGS REINVESTED IN BUSINESS— END OF YEAR	**$ 252,094**	$ 233,803	$ 214,974
EARNINGS PER SHARE	**$ 2.90**	$ 2.92	$ 2.84

See notes to financial statements.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

GEO. A. HORMEL & COMPANY

	Fiscal Year Ended October 29, 1983	October 30, 1982	October 31, 1981
	(Thousands of Dollars)		
Working capital at beginning of year	**$ 69,527**	$ 59,440	$ 69,843
Additions:			
From operations:			
Net earnings for the year	**27,897**	28,051	27,283
Provision for depreciation	**26,410**	17,587	13,887
Deferred income taxes	**7,883**	17,271	5,540
TOTAL FROM OPERATIONS	**62,190**	62,909	46,710
Additions to long-term debt	**105**	52,747	37,606
Carrying value of disposals of property, plant and equipment	**443**	886	647
	62,738	116,542	84,963
Deductions:			
Payments and maturities of long-term debt	**8,451**	30,317	267
Additions to property, plant and equipment	**15,709**	66,344	82,522
Purchase of Farm Fresh Catfish Co., Inc. (excluding net current assets of $139,000):			
Property, plant and equipment	**4,563**		
Long-term debt assumed	**(2,246)**		
	2,317		
Cash dividends on Common Stock	**9,606**	9,222	8,838
Increase in investments and other assets	**779**	572	3,739
	36,862	106,455	95,366
INCREASE (DECREASE) IN WORKING CAPITAL	**25,876**	10,087	(10,403)
WORKING CAPITAL AT END OF YEAR	**$ 95,403**	$ 69,527	$ 59,440
CHANGES IN COMPONENTS OF WORKING CAPITAL			
Increase (decrease) in current assets:			
Cash	**$ 771**	$ 4,399	$ (187)
Short-term marketable securities	**34,195**	(2,272)	3,161
Accounts receivable	**(359)**	3,856	2,491
Inventories	**(5,262)**	5,544	(6,328)
Federal income tax receivable	**(2,652)**	2,652	
Prepaid expenses	**2,809**	1,172	(1,079)
	29,502	15,351	(1,942)
Increase (decrease) in current liabilities:			
Notes payable	**185**	(85)	(257)
Accounts payable	**(3,593)**	1,996	2,693
Accrued expenses	**2,848**	(308)	3,391
Employee compensation	**(7,143)**	5,784	3,486
Taxes other than federal income taxes	**1,465**	1,082	(2,162)
Dividends payable	**96**	96	192
Federal income taxes	**9,856**	(3,314)	1,106
Current maturities of long-term debt	**12**	13	12
	3,626	5,264	8,461
INCREASE (DECREASE) IN WORKING CAPITAL	**$ 25,876**	$ 10,087	$ (10,403)

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

GEO. A. HORMEL & COMPANY

OCTOBER 29, 1983

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The financial statements include the accounts of Geo. A. Hormel & Company and all of its majority-owned subsidiaries after elimination of all significant intercompany accounts, transactions and profits. Investments in unconsolidated foreign companies are included in the financial statements at the Company's cost therein.

Segment Information: Hormel is engaged in a single business segment designated as "meat and food processing". As a federally inspected food processor, it slaughters livestock for processing into meat products which are sold at the wholesale trade level. Export sales account for less than 2% of sales. No customer accounts for more than 4% of sales.

Inventories: Inventories are valued at the lower of cost or market. Livestock and the materials portion of products are determined by the first-in, first-out method. Inventoriable expenses, packages and supplies are determined by the last-in, first-out method.

Oil and Gas Programs: Investments and other assets include $5,524,000 and $6,293,000 as of October 29, 1983 and October 30, 1982, respectively, representing unamortized costs incurred in various oil and gas programs. Costs to acquire property interests, whether proved or unproved, are capitalized when incurred as are all development costs relating to productive oil and gas wells. Exploratory dry hole costs are expensed as incurred. Capitalized costs of properties which become productive are amortized in relation to production.

Property, Plant and Equipment: Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the related assets, primarily on a straight-line basis.

Pension Plans: The Company has several pension plans covering substantially all of its employees. The Company's policy is to fund pension costs accrued which includes amortization of prior service costs over a period of thirty years from the date of inception or date of amendment of the plans.

Income Taxes: Provision is made in the financial statements for deferred income taxes arising primarily from timing differences in accounting for depreciation and interest for tax and financial reporting purposes. Deferred income taxes are not provided on the undistributed earnings of the Company's Domestic International Sales Corporation (DISC) as the Company believes that future earnings of the DISC will be reinvested indefinitely. Investment tax credits are recorded under the flow-through method of accounting as a reduction of the current provision for federal income taxes.

Earnings Per Share: Earnings per share of Common Stock are based on the weighted average number of shares outstanding during the year.

Fiscal Year: The Company's fiscal year ends on the last Saturday in October. Fiscal years 1983 and 1982 consisted of 52 weeks; fiscal 1981 consisted of 53 weeks.

Reclassifications: Certain 1982 balance sheet amounts have been reclassified to be consistent with the 1983 classification.

NOTE B — INVENTORIES

Inventoriable expenses, packages and supplies amounting to approximately $25,300,000 at October 29, 1983, $24,400,000 at October 30, 1982 and $21,300,000 at October 31, 1981, are stated at cost determined by the last-in, first-out method, and are $16,400,000, $17,700,000, and $13,200,000 lower in the respective years than such inventories determined under the first-in, first-out method.

NOTE C — LONG-TERM DEBT AND OTHER BORROWING ARRANGEMENTS

Long-term debt consists of:

	October 29, 1983	October 30, 1982
	(Thousands of Dollars)	
Three-Year Extendible Notes	$ 50,000	$ 50,000
9% notes — due 1985	25,000	25,000
Commercial paper		7,569
Capitalized leases	7,456	5,975
	82,456	88,544
Less current maturities	292	280
	$ 82,164	$ 88,264

On September 1, 1982, the Company issued $50,000,000 of Three-Year Extendible Notes at an initial interest rate of 13.25%. The Company can adjust the rate on September 1 in each of the years 1985, 1988 and 1991 ("adjustment dates") to a rate no lower than 102% of the Three-Year Treasury Rate. The notes are redeemable at the option of the holder in whole or in part, at 100% of its principal amount plus accrued interest, on each of the "adjustment dates" shown above. The notes will mature on September 1, 1994, if not previously redeemed.

The Company has a revolving credit/term loan agreement with three banks enabling it to borrow up to $52,500,000 through October 15, 1984. The outstanding balance at that date can be converted to term notes payable in annual installments through 1988. The interest rate on outstanding borrowing is based upon a formula contained in the agreement which, in general, results in a rate equal to and floating with the U.S. prime rate, or other bank rates, at the Company's option. In addition, a commitment fee of 3/8% per annum is payable on the unused portion of the revolving credit commitment.

Short-term commercial paper of $7,569,000 at October 30, 1982 was reclassified to long-term debt reflecting the Company's intention to refinance these amounts during the subsequent fiscal year through either continued short-term borrowing or utilization of available revolving bank credits. The borrowings were repaid during 1983.

The note agreements contain certain provisions and restrictions relating to limitations on liens, sale and leaseback arrangements, and funded debt. The revolving credit agreement requires the Company to maintain certain financial ratios and meet certain net worth and indebtedness tests. The Company is in compliance with these covenants at October 29, 1983.

At October 29, 1983, the Company had unused lines of credit of $61,850,000 comprised of $9,350,000 for short-term borrowing and $52,500,000 (in the form of revolving credits) for long-term borrowing.

In connection with the lines of credit to support short-term commercial paper borrowings, the Company generally maintains average compensating balances, based upon bank ledger balances adjusted for uncollected funds, equal to 5% of the banks' commitments plus 5% of borrowings. Based upon outstanding borrowings and total bank commitments at October 29, 1983, the Company should maintain average compensating balances of approximately $425,000, which stated in terms of the Company's book balances is approximately $1,985,000. The difference is attributable to uncollected funds. During the year ended October 29, 1983, the Company maintained average collected balances of approximately $550,000 (including $467,000 relating to its average unused lines of credit). Compensating balances are not restricted as to withdrawal.

Maturities of long-term debt for the five fiscal years subsequent to October 29, 1983 are as follows: 1984 — $292,000; 1985 — $25,390,000; 1986 — $414,000; 1987 — $950,000; 1988 — $215,000.

NOTE D — PENSION PLANS

Contributions to the Company's pension plans for 1983, 1982 and 1981 were $16,850,000, $17,900.000. and $16,900,000, respectively. Approximately two-thirds of the pension costs relate to union plans. At October 30, 1982, the plans recognized the cumulative effect of favorable investment performance in excess of actuarial assumptions. The gain will be recognized over ten years and reduced the 1983 contribution by $1,700,000. Accumulated plan benefit information, as estimated by consulting actuaries, and plan net assets for the Company's plans as of the latest valuation dates were:

	October 30, 1982	October 31, 1981
	(Thousands of Dollars)	
Actuarial present value of accumulated plan benefits:		
Vested	$ 254,537	$ 229,435
Non-vested	9,479	9,849
	$ 264,016	$ 239,284
Net assets available for benefits	$ 211,231	$ 175,493

The interest assumption used in determining the actuarial present value of accumulated plan benefits for both years was 7%.

NOTE E — INCOME TAXES

The components of the provision for income taxes are as follows:

	1983	1982	1981
	(Thousands of Dollars)		
Current:			
U.S. Federal	$ 13,319	$ (195)	$ 7,578
Foreign	175	55	237
State	1,493	(94)	262
	14,987	(234)	8,077
Deferred:			
U.S. Federal	7,313	15,878	5,044
State	570	1,393	496
	7,883	17,271	5,540
	$ 22,870	$ 17,037	$ 13,617

Included in the provision for deferred federal income taxes is the effect of timing differences for depreciation (1983—$9,018,000; 1982—$9,180,000; 1981—$2,261,000) and interest costs (1983—$(591,000); 1982—$4,995,000; 1981—$3,676,000).

Income taxes have not been provided on pretax earnings of $1,600,000 accumulated in the Company's Domestic International Sales Corporation (DISC) through 1983.

Reconciliation of the statutory federal income tax rate to the Company's effective tax rate follows:

	1983	1982	1981
U.S. statutory rate	46.0%	46.0%	46.0%
State taxes on income, net of federal tax benefit	2.2	1.6	1.0
Investment tax credits	(3.7)	(11.9)	(16.1)
All other, net	0.5	2.1	2.4
Effective tax rate	45.0%	37.8%	33.3%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE F — CAPITALIZED INTEREST

Interest costs of $10,953,000 and $8,000,000 incurred during fiscal 1982 and 1981, respectively, were capitalized as part of the cost of newly constructed manufacturing facilities. No interest costs were capitalized in 1983.

NOTE G — ACQUISITION

On March 1, 1983, the Company acquired certain assets and liabilities of Farm Fresh Catfish Company, Inc. for $2,500,000. The acquisition was accounted for as a purchase. Results of operations of Farm Fresh are not material to the Company's financial statements and, therefore, pro forma information for the year is not presented.

NOTE H — LEASES

Rental expense and future lease commitments are not material.

NOTE I — CONSTRUCTION IN PROGRESS

The estimated costs to complete construction in progress at various locations at October 29, 1983 are approximately $5,648,000.

NOTE J — QUARTERLY RESULTS OF OPERATIONS (Unaudited)

The following tabulation reflects the unaudited quarterly results of operations for the years ended October 29, 1983 and October 30, 1982.

1983	Net Sales	Gross Profit	Net Earnings	Earnings Per Share
	(Thousands of Dollars)			
First Quarter	$ 330,255	$ 50,115	$ 5,459	$ .57
Second Quarter	342,153	49,114	3,993	.41
Third Quarter	356,728	56,858	5,772	.60
Fourth Quarter	388,569	75,592	12,673	1.32
	$ 1,417,705	$ 231,679	$ 27,897	$ 2.90
1982				
First Quarter	$ 347,074	$ 59,598	$ 11,179	$ 1.16
Second Quarter	342,113	50,351	5,643	.59
Third Quarter	355,870	41,897	1,974	.21
Fourth Quarter	381,539	53,573	9,255	.96
	$ 1,426,596	$ 205,419	$ 28,051	$ 2.92

The estimated LIFO provision accrued through the third quarter of 1983 was reversed in the fourth quarter, increasing net earnings by $960,000. Reduced operating costs resulting from improved productivity and lower costs of packages and direct supplies eliminated the cost increases in inventoriable expenses anticipated for the year.

NOTE K — SUPPLEMENTAL INFORMATION ON THE EFFECTS OF INFLATION (Unaudited)

The following supplemental information is presented to comply with Statement No. 33 issued by the Financial Accounting Standards Board (FASB), "Financial Reporting and Changing Prices". The disclosures were developed for the purpose of measuring the effect of inflation on the operations of companies.

It is important that financial statement users understand that the disclosures attempt to measure the effect of inflation on Hormel, yet they are experimental in nature and should be used with caution in

making comparisons with other companies since assumptions and methodology used in preparing the disclosures may vary among companies.

Traditional financial statements prepared using generally accepted accounting principles are based on transactions entered into and completed using the historical dollar and are not designed to show all the effects of inflation. The disclosures of FASB Statement No. 33 require adjusting the historical statement of earnings and certain assets and liabilities by two different methods: current cost and constant dollar.

The current cost method used by the Company values fixed assets and inventories presently owned at their current cost at year-end. Depreciation expense and cost of products sold are based on these values. The constant dollar method values fixed assets and inventories by applying the Consumer Price Index to the historical cost of fixed assets and inventories to bring the cost up to average fiscal 1983 purchasing power. Depreciation expense and cost of products sold are based on these restated values.

The provision for income taxes included in the supplemental statement of earnings is the same as reported in the historical statement of earnings. Present tax laws do not allow deductions for higher depreciation adjustments for the effects of inflation. During periods of persistent inflation and rapidly increasing prices, such a tax policy frequently results in effective tax rates in excess of statutory rates.

Earnings Adjusted for Inflation for the Year Ended October 29, 1983	**Current Cost**	**Constant Dollar**
	(Thousands of Dollars)	
Earnings before taxes as reported in the historical Statement of Earnings	$ 50,767	$ 50,767
Excess of adjusted cost of products sold over historical cost of products		(3,914)
Excess of adjusted depreciation over historical depreciation	(6,215)	(7,275)
Adjusted earnings before income taxes	44,552	39,578
Provision for income taxes as reported in the historical Statement of Earnings	(22,870)	(22,870)
Adjusted earnings	$ 21,682	$ 16,708
Adjusted earnings per share	$ 2.26	$ 1.74
Adjusted net assets at year-end	$ 340,271	$ 344,365

ADJUSTED EARNINGS — CURRENT COST

Earnings adjusted for the current cost method are $21,682,000 compared to historical earnings of $27,897,000. The impact of inflation on the Company's earnings measured under the current cost method results primarily from the excess of current cost depreciation over historical depreciation. The cost of products sold is the same under current cost and historical cost methods because of the rapid turnover of meat inventories and the application of the LIFO inventory method for all other inventories.

ADJUSTED EARNINGS — CONSTANT DOLLAR

The adjusted earnings for constant dollar method are $16,708,000 and differ from adjusted earnings for the current cost method because the historical cost of products sold must be adjusted by the Consumer Price Index to reflect average fiscal 1983 purchasing power. This adjustment does not present true market conditions since selling prices of the Company's products are responsive to current costs.

Purchasing Power Gain Due to Net Monetary Liabilities Position

During fiscal 1983, the Company maintained a net monetary liability position, which means monetary liabilities (current liabilities and long-term debt) exceeded monetary assets (cash, accounts receivable and marketable securities). With prices increasing during 1983, the net monetary liability position resulted in a gain of general purchasing power of $3,947,000.

NOTES TO FINANCIAL STATEMENTS (Continued)

Increases in Current Cost of Inventories and Properties

Under current cost accounting, increases in specific prices of inventories and properties held during the year (including realized gains and losses on those sold or used) are not included in earnings but are presented separately. The current cost increase is reduced by the effect of general inflation measured by applying the annual rate of change in the CPI to the average current cost balances of inventories and properties. The increase in current cost for fiscal 1983 consists of the following amounts:

	(Thousands of Dollars)
Increase during 1983 in the value of inventories and property, plant and equipment in constant dollars	$14,805
Increase in current cost during 1983	11,965
Excess of increase in general price level over increase in current cost during 1983	$ 2,840

On October 29, 1983, current cost of inventory was $106,414,000 and current cost of property, plant and equipment, net of accumulated depreciation, was $337,823,000. Historical costs were $89,972,000 and $270,103,000, respectively.

COMPARISON OF SELECTED SUPPLEMENTAL FINANCIAL DATA ADJUSTED FOR EFFECTS OF INFLATION

	Year Ended in October				
	1983	1982	1981	1980	1979
	(Thousands of Dollars)				
Net sales:					
Historical	$ 1,417,705	$ 1,426,596	$ 1,433,966	$ 1,321,966	$ 1,414,016
Constant dollars	1,417,705	1,474,801	1,585,694	1,620,651	1,969,399
Earnings:					
Historical	27,897	28,051	27,283	32,758	
Constant dollars	16,708	24,067	20,135	28,073	
Current cost	21,682	26,859	27,902	37,255	
Earnings per share:					
Historical	2.90	2.92	2.84	3.41	
Constant dollars	1.74	2.50	2.10	2.92	
Current cost	2.26	2.80	2.90	3.87	
Excess of increase in general price level over increase in specific prices of inventories and properties	2,840	5,084	22,258	10,609	
Purchasing power gain from holding net monetary liabilities during the year	3,947	5,379	8,843	3,924	
Net assets at year-end:					
As reported	263,861	245,570	226,741	208,296	
Constant dollars	344,365	329,078	307,692	304,999	
Current cost	340,271	327,288	308,752	304,748	
Cash dividends per share:					
Historical	1.00	.96	.92	.84	.74
Constant dollars	1.00	.99	1.01	1.02	1.02
Market price per share at year-end:					
Historical	28.25	23.88	15.75	19.12	16.16
Constant dollars	27.57	24.10	16.59	22.35	21.15
Average consumer price index	296.8	287.1	268.5	242.1	213.1

ACCOUNTANTS' REPORT

To the Stockholders and
Board of Directors
Geo. A. Hormel & Company
Austin, Minnesota

We have examined the statements of financial position of Geo. A. Hormel & Company as of October 29, 1983 and October 30, 1982, and the related statements of earnings and earnings reinvested in business and changes in financial position for each of the three years in the period ended October 29, 1983. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Geo. A. Hormel & Company at October 29, 1983 and October 30, 1982, and the results of its operations and changes in its financial position for each of the three years in the period ended October 29, 1983, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Whinney

Minneapolis, Minnesota
November 22, 1983

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Liquidity and Sources of Capital
Cash flow from operations in 1983 resulted in an increase in marketable securities of $34,195,000 at year-end and provided funds to complete construction of major projects, and also fund the acquisition of Farm Fresh Catfish Company, Inc. of Greensboro, Ala.

The ratio of current assets to current liabilities improved to 1.70 at the end of 1983, compared to 1.52 at the end of 1982 and 1.47 at the end of 1981. Working capital continues to increase as reflected in a 1983 total of $95,403,000 compared to $69,527,000 in 1982 and $59,440,000 in 1981. Current financial resources and anticipated funds from operations are expected to be adequate to meet requirements for funds in the year 1984.

Cash flow from operations, plus the sales of short-term commercial paper, which was replaced in part by $50,000,000 of Three-Year Extendible Notes issued on September 1, 1982, as outlined in Note C of the financial statements, have been the principal sources of funds to finance the large capital expenditures during this three-year period. Additions to property, plant and equipment declined in 1983 to $20,272,000 after the historical highs of $66,344,000 and $82,522,000 in 1982 and 1981, respectively. Capital expenditures for 1983 were for completion of the new Austin (Minn.) plant and automation and renovation of existing manufacturing facilities at Ottumwa, Iowa, and Stockton, Calif., and for the acquisition of Farm Fresh Catfish Company, Inc.

The revolving credit/term loan agreement with three banks, as discussed in Note C of the financial statements was reduced on January 24, 1983, to $52,500,000 and is backup for the Company's short-term commercial paper borrowing.

A discussion of the estimated impact of inflation on the Company's financial statements may be found on pages 39 through 41, which contain the supplementary information on inflation that is required by Financial Accounting Standards Board Statement No. 33, "Financial Reporting and Changing Prices."

Results of Operations
Sales and gross earnings in the meat packing industry are influenced to a significant degree by the fluctuating cost of livestock and consumer demand for meat products. The following discussion analyzes material changes in the major items:

1983 and 1982
Sales decreased by $8,891,000 or 0.6 percent below 1982. The decrease was experienced, despite a 1.8% increase in tonnage, reflecting the decline in prices paid for Company products. These lower prices were a result of decreasing raw material prices throughout the year which reduced the cost of products sold to $1,186,026,000 from $1,221,177,000. The declining prices combined with continued improved productivity through technology and a continuing cost reduction effort contributed to a gross margin increase of $26,260,000.

1983 interest expense increased to $14,039,000 from $1.559,000, due principally to the capitalization in 1982 of $10,953,000 interest cost relating to the construction costs of the new Austin plant. The Austin plant was completed late in 1982 and, therefore, no interest costs were capitalized in 1983.

Income taxes increased in 1983 reflecting a continued reduction of investment tax credit relating to the record investment years of 1982 and 1981. The increase in the effective tax rate in 1983 to 45% from 37.8% a year ago is due principally to this reduction in investment tax credit.

Depreciation in 1983 increased to $26,410,000 from $17,587,000. The completion of the new Austin plant and the Company's ongoing commitment to capital expenditures for automation and renovation of existing facilities have resulted in increased depreciation expense.

Other income decreased to $3,684,000 in 1983 from $4,193,000 in 1982. The 1983 income included a settlement of $1,100,000 related to the Corrugated Container Antitrust Litigation with the remainder being interest and investment income.

Advertising costs rose $8,237,000 or 33.8% over 1982, further emphasizing the Company's strategy to increase sales of brand identified products.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

(Continued)

1982 and 1981

Net sales totaled $1,426,596,000, down 0.5 percent from the $1,433,966,000 reported in 1981. The slight decrease in sales was partly a reflection of a 53-week year in 1981 versus a 52-week year in 1982. The closing of a major part of the Fort Dodge (Iowa) plant in June and the changeover to the new Austin plant contributed to the slightly lower sales tonnage in 1982. The impact on sales caused by reduced tonnage, however, was offset by the higher meat raw material costs which were passed through the marketplace in the form of higher prices.

The decline in sales tonnage and the positive earnings impact of LIFO resulted in lower costs of products sold in 1982 compared to 1981, even though meat raw materials costs were higher in 1982.

Interest expense decreased from $2,346,000 in 1981 to $1,559,000 in 1982 because capitalized interest costs increased for the Austin replacement plant. During 1982, $10,953,000 was capitalized as part of construction costs compared with capitalized interest costs of $8,000,000 in 1981.

Income taxes increased in 1982, due primarily to the reduced investment tax credit. The effective tax rates for 1982 and 1981 were 37.8% and 33.3%, respectively.

Depreciation in 1982 increased $3,700,000 to $17,587,000, compared to $13,887,000 in 1981. The Company's long-term program of capital investments over the past few years has resulted in increased depreciation expense.

Other income increased substantially to $4,193,000 in 1982 compared to a net expense in 1981 of $124,000, due primarily to an increase of $1,800,000 in capital gains realized on the sale of property, reduction in oil and gas expenditures of $800,000 and increases in interest and investment income.

RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The accompanying financial statements were prepared by the management of Geo. A. Hormel & Company which is responsible for their integrity and objectivity. These statements have been prepared in accordance with generally accepted accounting principles appropriate in the circumstances, and, as such, include amounts that are based on our best estimates and judgments.

Geo. A. Hormel & Company has developed a system of internal controls designed to assure that the records reflect the transactions of the Company and that the established policies and procedures are adhered to. This system is augmented by well-communicated written policies and procedures, a strong program of internal audit, and well-qualified personnel.

These financial statements have been examined by Ernst & Whinney, independent certified public accountants, and their report appears on page 42. Their examination is conducted in accordance with generally accepted audit standards and includes a review of the Company's accounting and financial controls and tests of transactions.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets periodically with the independent public accountants, management, and the internal auditors to assure that each is carrying out its responsibilities. Both Ernst & Whinney and our internal auditors have full and free access to the Audit Committee with or without the presence of management, to discuss the results of their audit work and their opinions on the adequacy of internal controls and the quality of financial reporting.

RW Schlange

R.W. SCHLANGE
Controller

R.L. KNOWLTON
President and Chief Executive Officer